



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**San Bernardino County
California**

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Bernardino County, California** for the Annual Budget beginning July 1, 2008. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

SAN BERNARDINO COUNTY

AT YOUR SERVICE

| | | |
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MARK H. UFFER
County Administrative Officer

COUNTY OF SAN BERNARDINO

County Administrative Office
385 North Arrowhead Avenue
San Bernardino, CA 92415-0120
(909) 387-5418
FAX: (909) 387-5430

BOARD OF SUPERVISORS

Brad Mitzelfelt *First District*
Paul Biane *Second District*
Neil Derry *Third District*
Gary C. Ovitt, Chair *Fourth District*
Josie Gonzales, Vice Chair *Fifth District*

As the County Administrative Officer for the largest county in the contiguous United States, I am proud to present this fiscally sound spending plan for 2009-10. The plan uses no one-time monies to finance ongoing costs and does not rely on the use of County reserves for operations. While this final budget was adopted on June 23, 2009, the process to create it started much earlier to ensure a balanced budget.

Revenue forecasts, coupled with the historical trend of what goes up must come down, demonstrated that a downturn in the economy was imminent. While the extent of the impact was unknown, the County began to lay the groundwork years earlier for what proved to be a major economic meltdown, compounded by the state's inability to manage its budget.

This County, as an entity, is committed to providing services and doing so in a fiscally prudent manner. Based on the projected continuing financial shortfall, ongoing costs needed to be curtailed. In keeping with our policies, which maintain that one-time funding will not be used for ongoing needs, we began to reduce. This reduction first took the form of a hiring "chill" two years ago. We also factored into our plan natural attrition that occurs in staffing. Our goal was to reduce one of the most significant County costs – staffing. By scaling down, we have avoided significant layoffs and more importantly, service disruptions.

Departmental updates regarding state budget impacts and the local economic impacts continued through the budget process. The message was clear, departments would be dealing with shrinking budgets and in many cases increased program caseloads. The impending revenue reductions would require more tough choices to be made in order to further reduce costs.

The reduction process started mid-year when the 2008-09 final budget was modified with an 8% Reduction Plan. Departments met this initial decrease by absorbing increased salary and benefit costs resulting from negotiated labor agreements without receiving additional financing. Other cost cutting measures, such as the deletion of vacant budgeted positions, were also implemented.

The development of the 2009-10 budget required additional mitigation measures to be factored into the financing plan. Departments were again impacted by another 8% Reduction Plan. Additionally, employees contributed to the budget solution by accepting salary reductions either by foregoing pay raises or by reduced work weeks. A Retirement Incentive Program was also enacted that provided a \$1,000-per-year-of-service incentive to employees retiring before June 30, 2009. Over 300 employees took advantage of this program, which will provide substantial ongoing savings as vacated positions must be held open for five years. The use of ongoing set asides and shifts in funding strategies were also used to mitigate the shortfall for 2009-10.

The Board of Supervisors adopted the County's 2009-10 final budget with few amendments. While not a typical budget presentation, as no recommendations were made for additional general fund financing, the budget held fast to our commitment of not using one-time funding for ongoing needs, while still investing in our future by building capital projects, such as the Central Juvenile Hall facility, new government center office buildings in both the High Desert and Morongo Basin, the Arrowhead Regional Medical Center's 6th floor remodel, and a new medical office building.



The current economic climate continues to threaten County programs and local government. However, we are committed to making the most of our financing, capitalizing on the strengths of our employees to provide the necessary services in the most efficient manner as highlighted below.

THE BUDGET IN BRIEF

The County produces two budget books. This budget book presents the General Fund, restricted financing funds, special revenue funds, capital project funds, and enterprise funds. Additionally, there is a budget book for Board Governed Special Districts. The total spending authority for the County and Board Governed Special Districts in 2009-10 is \$3.8 billion and \$0.5 billion, respectively, for a combined total of \$4.3 billion. Although total spending authority remained the same as in the prior year, considerable decreases in general fund financing were offset with significant increases from State and Federal sources for Human Services programs.

The General Fund spending authority totals \$2.4 billion and is funded by departmental revenues, countywide discretionary revenues, financing transfers from departments, the use of reserves, and the beginning fund balance of the General Fund. Of this \$2.4 billion, the Board of Supervisors has discretion over \$627.7 million.

When the 2009-10 final budget was adopted, there was \$59.7 million in general purpose reserves and \$146.4 million in specific purpose reserves. The specific purpose reserve balance declined from the prior year due to planned, one-time allocations to projects for which the reserves were created. Over \$51.0 million of these allocations went to major capital projects. The final budget also included \$24.0 million in ongoing funding set-aside to pay for the County's future space needs, such as the proposed San Bernardino Government Center replacement project. This ongoing set-aside, if unspent at the end of the fiscal year, will be transferred to the corresponding specific purpose reserve.

2009-10 HIGHLIGHTS

Health

The three major health departments continue to be committed to the concept of integration – whereby all County health services are located and easily accessed in centralized locations. With Public Health providing preventive care, Arrowhead Regional Medical Center (ARMC) providing primary care, and Behavioral Health providing comprehensive mental health services, these integration efforts will place the County in a position to provide unparalleled access to a full range of health care services to the community, in a seamless and cost effective environment, including vital linkages to other County Social Services programs. These will prove crucial in this current economic climate. In 2008-09, the Integration Team brought forward the first of several plans that will ultimately introduce five regional integrated health service facilities aimed at bringing comprehensive health services to every area of the County. The first fully integrated clinic, to be located in the Fifth District, will become a model for the delivery of future health care services in the County and will showcase the County as a pioneer in this concept of health care operations.

In addition, the Public Health Department is gearing up to receive additional funding from the California Department of Public Health for planning, preparing and responding to an H1N1 (commonly known as Swine Flu) Influenza pandemic. With these funds, the County will begin to implement H1N1 vaccination clinics throughout all parts of the county as well dispense vaccines to health care providers.

The County's Probation and Sheriff's Department are continuing to recognize savings as well as increased efficiency through the use of an automated pharmaceutical system that dispenses medications at the County's detention facilities from on-site packagers that are interfaced with Arrowhead Regional Medical Center's pharmacy and the departments' information management systems.

Safety

In the area of safety, the County is continuing to support comprehensive crime prevention and neighborhood revitalization programs. The Board of Supervisors approved an award through the Recovery and Reinvestment Act of 2009, Edward Byrne Memorial Justice Assistance Grant (JAG) to prevent or reduce crime and violence throughout the county. This grant supports County projects, which include, but are not limited to, drug courts, a security system for the Sheriff's Colorado River station, case management program enhancements and programming for the Probation department, and a scanning project for the Public Defender.



In addition, the Board of Supervisors appropriated Southwest Border Prosecution Initiative funding towards several projects that support the safety of residents, which include construction of a housing unit on the Colorado River for the Sheriff-Coroner as well as computer equipment and scanners for the Public Defender, among others.

The County was recently designated as "StormReady" by the National Weather Service. StormReady is a nationwide program that helps communities better prepare and protect their citizens during all types of severe weather events. The County's preparedness and planning activities for hazardous weather include the establishment of a 24-hour warning point and Emergency Operations Center, the ability to have more than one way to receive severe weather warnings and forecasts to alert the public, the promotion of public readiness through community seminars, and the development of a hazardous weather plan. With this designation, participation in the StormReady program, once recognized by the National Flood Insurance Program's Community Rating System, may qualify the community for a discount on Flood Insurance premiums.

Well-Being

Human Services (HS) continues to provide quality service to its clients despite the tremendous burdens brought upon by the recent economic downturn. As a result, state and federal funding increases in the HS subsistence programs of CalWORKs, and Aid to Adoptive Children were made to assist residents in need. Additionally, HS has fully maximized its Federal and State funding over the last three years by investing 100% of administrative allocations in the CalWORKs, Food Stamp Administration, Child Welfare Services, Aging and Adult Services, Child Support and Preschool Services Programs.

The HS Foster Care program continues to experience caseload decreases (approximately 19% over the past two years) as a result of the Family to Family Program implemented by Children and Family Services.

Due to the economic downturn, federal stimulus funds of approximately \$23.0 million are anticipated. These funds are designed to augment and maintain services for San Bernardino County residents during this troubling economic time.

The 10-Year Strategy to End Homelessness in San Bernardino County, as supported by the Board of Supervisors, is the backbone of a comprehensive system created to address issues contributing to homelessness in our County, such as mental health, financial stabilization, and lack of affordable housing. The Project Homeless Connect event, scheduled for November 2009, is an opportunity for service providers throughout the County to engage the homeless population and offer needed services in order to end the cycle of homelessness.

Quality of Life

Funding increases in the Department of Community Development and Housing are due to the new Neighborhood Stabilization Grant (NSP) which is designated to assist with the sub-prime mortgage crisis. NSP funds will be allocated to communities hardest hit by the foreclosure and sub-prime crisis to purchase foreclosed homes, at a discount, and rehabilitate and redevelop the homes to stabilize neighborhoods and stem the significant losses in home values of neighboring residences.

As a result of receiving American Recovery and Reinvestment Act funding, the Workforce Development Department (WDD) is expecting to enroll triple the number of job seekers into training classes and supportive services in 2010. In addition, WDD also plans to increase services provided directly to the business community by meeting with businesses to identify needs, conducting specialized workshops, and developing incumbent worker training programs. Furthermore, WDD implemented a Summer Youth Employment Program that will serve approximately 1,800 youth and provide them with paid work experience opportunities over the summer months. The goal of these programs is to meet the changing needs of workers and employers, help dislocated workers to develop competencies in differing technologies, and develop new training opportunities to create pathways to higher skilled and higher paying jobs.

Facilities Management is continuing its goal of resource conservation. The department has implemented California Friendly Landscaping, including irrigation equipment, making it possible to achieve a projected increase in water conservation for 2009-10. The Fleet Management Department is expanding its efforts to improve air quality and reduce fuel consumption. The County fleet consists of 75% ultra low emission vehicles (ULEV), including hybrid vehicles.

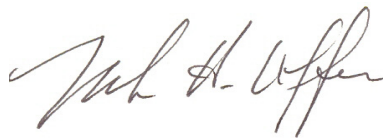
CHALLENGES IN FISCAL YEAR 2009-10 AND BEYOND

In the coming years, the County faces the challenge of continuing to provide quality services to its residents while managing the impacts of reduced revenues. In addition to the general economy, other major challenges facing the County include State and Federal budget impacts. While State and Federal funding reductions are anticipated, adjustments for these impacts will be made mid-year in the County budget after the impacts are fully known. Furthermore, the County is anticipating experiencing high retirement costs in future years as a result of the dismal stock market.

The County will continue its practice of cost reduction by maintaining the hiring freeze and further scrutinizing other cost areas, such as travel and fixed assets. Efficiency reorganizations, such as moving the Office of Legislative Affairs into the Board of Supervisors budget unit and Public Support and Services Group Administration into the County Administrative Office budget unit, were implemented in 2009-10. The County will continue to evaluate other areas of operations that can be consolidated as well as focus on strengthening its core practices and services. Opportunities to outsource cyclical services will be explored as reducing permanent staffing heightens our financial flexibility. A complete examination of the County's various programs and functions is underway in order to maintain those services that are mandated and to streamline service delivery to end users.

CONCLUSION

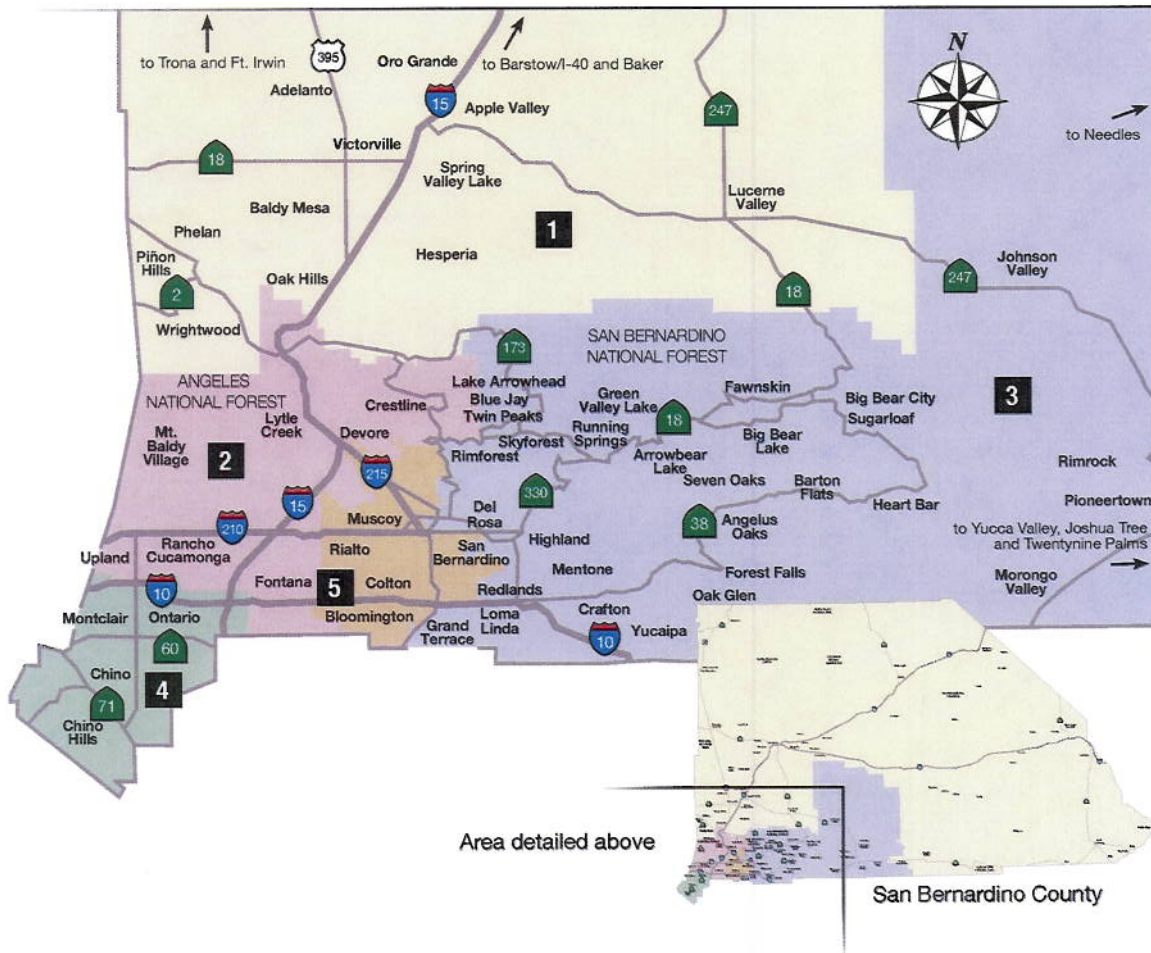
As a result of our proactive and conservative budgeting practices, San Bernardino County is one of the most fiscally healthy local government agencies in the state. The 2009-10 San Bernardino County Budget meets the County's budget objectives and addresses the major policy issues that face the County. As we enter into the new fiscal year, we look forward to opportunities where we can advance the Vision and Mission of the County, which is to serve and enhance the well-being of its residents.



MARK H. UFFER
County Administrative Officer



San Bernardino County Supervisorial Districts



San Bernardino County Board of Supervisors



1
Brad Mitzelfelt
First District
(909) 387-4830



2
Paul Biane
Second District
(909) 387-4833



3
Neil Derry
Third District
(909) 387-4855



4
Gary C. Ovitt, Chair
Fourth District
(909) 387-4866



5
Josie Gonzales, Vice Chair
Fifth District
(909) 387-4565

Find other elected representatives
www.sbcrov.com



COUNTY OF SAN BERNARDINO COUNTYWIDE FACTS AND FIGURES

SIZE:

20,160 square miles (largest county in the contiguous United States by area)

ELEVATION:

Highest Elevation, Mt. San Geronio, 11,502 ft.

STRUCTURE: Formed by charter in 1853; five districts based on population. Members serve four-year terms.

INCORPORATED CITIES:

24

POPULATION BY CITY

| INCORPORATED CITY | TOTAL 1/1/2009 ESTIMATED POPULATION |
|---------------------------------------|-------------------------------------|
| Adelanto | 28,265 |
| Apple Valley | 69,861 |
| Barstow | 24,213 |
| Big Bear Lake | 6,255 |
| Chino | 84,173 |
| Chino Hills | 78,725 |
| Colton | 51,684 |
| Fontana | 189,021 |
| Grand Terrace | 12,484 |
| Hesperia | 88,184 |
| Highland | 52,372 |
| Loma Linda | 22,619 |
| Montclair | 36,964 |
| Needles | 5,793 |
| Ontario | 173,188 |
| Rancho Cucamonga | 177,736 |
| Redlands | 71,646 |
| Rialto | 100,022 |
| San Bernardino | 204,483 |
| Twentynine Palms | 30,832 |
| Upland | 75,034 |
| Victorville | 109,441 |
| Yucaipa | 51,317 |
| Yucca Valley | 21,239 |
| Total Incorporated | 1,765,552 |
| Total Unincorporated | 295,398 |
| Total County of San Bernardino | 2,060,950 |

Source: State of California, Department of Finance, E-1: Population Estimate with Annual Percentage Change- January 1, 2008 and 2009. Sacramento, California, January 2009.

REGIONAL PARKLAND:

9,200 acres

COUNTY LIBRARY:

30 Branches

MAJOR COUNTY EMPLOYERS (July 2008):

| Employer | Employees |
|--------------------------------------|-----------|
| County | 18,000 |
| National Training Center* | 14,025 |
| Loma Linda University Health Center* | 12,851 |
| US Marine Corp Air/Ground Center* | 12,486 |
| Stater Bros. | 19,000 |

Source: The Business Press, Copyright July 2008

Note: Information was provided by the companies, agencies and institutions in this listing at the request of The Business Press. Business Press relied on each organization to report information completely and accurately. Several organizations were invited to provide information for the Business Press publication, but had not done so at press time.

* 2007 figures

MAJOR COUNTY TAXPAYERS (Secured Taxpayers-2008-09 Property Tax Rolls)

| Name | Assessed Value |
|----------------------------|-----------------|
| Southern California Edison | \$1,561,256,753 |
| Prologis | \$766,973,433 |
| Verizon California, Inc. | \$685,625,497 |
| Catellus | \$628,218,846 |
| Loma Linda University | \$508,770,574 |
| Majestic Realty Co. | \$481,611,538 |
| Cemex | \$436,223,997 |
| Kaiser | \$436,141,481 |
| Riverside Cement Company | \$412,673,326 |
| California Steel | \$401,003,713 |

Source: County of San Bernardino, Assessor and Auditor-Controller/Recorder Property Tax Division.

EMPLOYMENT MIX (2008):

| | |
|--|---------|
| Services - all | 435,110 |
| Retail | 84,171 |
| Government | 116,915 |
| Construction | 36,027 |
| Trade, transportation & Public Utilities | 164,391 |
| Wholesale trade | 34,607 |
| Manufacturing | 58,165 |
| Finance, insurance & real estate | 24,568 |
| Natural Resources & Mining | 3,441 |

Source: California Employment Development Department, SBCO, Quarterly Census -Employment & Wages (QCEW/ES-202) 2008 Annual averages

UNEMPLOYMENT: 13.9% (July 2009)

Source: California Employment Development Department, Labor Market Information

POVERTY LEVEL (2007 estimate): 12.1%

Source: U.S. Census Bureau, 2005-2007 SBCO Quick Facts



MEDIAN HOME PRICE (July 2009): \$140,000

Source: CA Association of Realtors, 2009.

ASSESSED VALUATIONS (2008-09):

\$187,190,591,729

MEDIAN FAMILY INCOME

(2007 estimate): \$55,995

Source: State Economic Development Department

PER CAPITA PERSONAL INCOME: \$28,049 (2007)

Source: California Employment Development Department, Labor Market Information.

TAXABLE SALES (2007-08): \$30,450,731,000

Source: State Economic Development Dept and Board of Equalization

UNIVERSITIES/COMMUNITY COLLEGES

(Ranked by # of students):

Four Year Universities (Fall 2007)

1. California State University San Bernardino (17,066)
2. University of Redlands (4,188)
3. Loma Linda University (4,022)

Community Colleges (Fall 2007)

1. Chaffey College (18,736)
2. San Bernardino Valley College (12,839)
3. Victor Valley Community College (10,149)
4. Crafton Hills College (5,382)
5. Barstow College (2,906)
6. Copper Mountain College (1,673)

Source: U.S. Department of Education, National Center for Education Statistics.

AIRPORTS:

1. Apple Valley Airport
2. Baker Airport
3. Cable Airport
4. Chino Airport
5. Daggett Airport
6. Hesperia Airport
7. Needles Airport
8. Ontario International Airport
9. San Bernardino Airport
10. Southern California Logistics Airport
11. Twentynine Palms Airport

TOURIST ATTRACTIONS:

1. Big Bear Lake Resort
 2. Calico Ghost Town*
 3. California Speedway
 4. Colorado River
 5. San Manuel Amphitheater at Glen Helen*
 6. Joshua Tree National Park
 7. Lake Arrowhead Resort
 8. Route 66
- *county-owned

TOP 6 HOSPITALS:

(Ranked by # of beds)

1. Loma Linda University Medical Center, Loma Linda (749 beds)
2. Kaiser Foundation Hospital, Fontana (459 beds)*
3. Arrowhead Regional Medical Center, Colton (353 beds)
4. St. Bernardine Medical Center, San Bernardino (293)
5. Community Hospital of San Bernardino, San Bernardino (292 beds)
6. San Antonio Community Hospital, Upland (279 beds)

Source: Hospital Directory, 2008 U.S. News and World Report, L.P., provided by the American Hospital Association.

**Number of beds derived from prior year data.*

RACE/ETHNICITY (2008 Projection):

| | |
|------------------|-------|
| Hispanic | 45.4% |
| White | 36.8% |
| Black | 9.7% |
| Asian | 5.3% |
| American Indian | 0.6% |
| Pacific Islander | 0.3% |
| Multi-Race | 2.0% |

Source: State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000-2050. Sacramento, CA, July 2007.

Total does not equal 100% due to rounding.

MEDIAN AGE (2007 estimate): 30.3

Source: U.S. Census Bureau, 2006 American Community Survey

BIRTH RATE (2008 estimate): 16.1 (per 1,000 population)

Source: California Public Health, Center for Health Statistics 2008 Vital Stats Query System

DEATH RATE (2007 estimate): 583 (per 100,000 population)

Source: California Public Health, Center for Health Statistics 2007 Vital Stats Query System

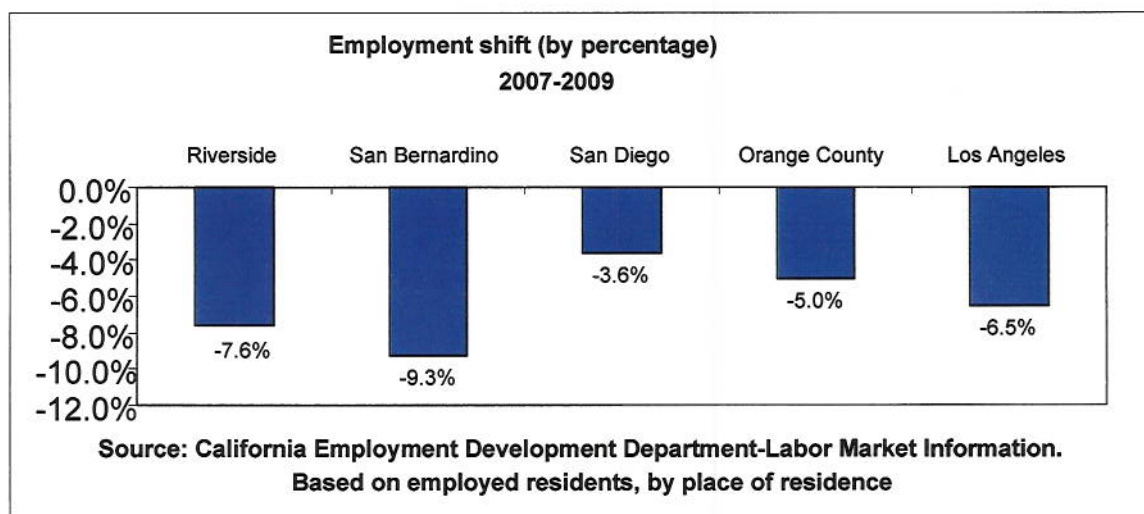
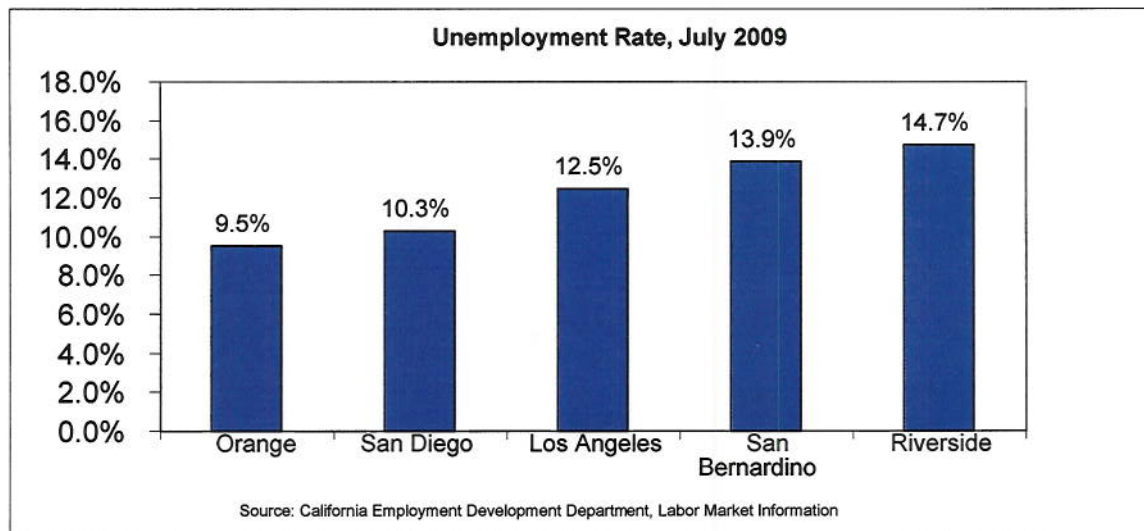
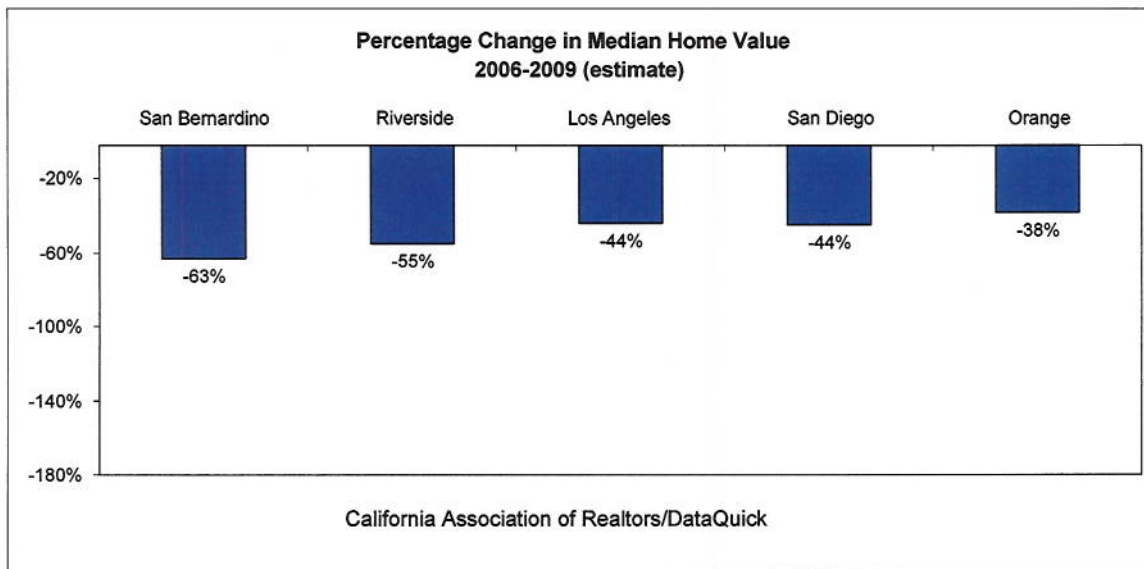
EDUCATIONAL ATTAINMENT (2006 estimate of county population age 25 years and over):

| | <u>Percent</u> |
|---|----------------|
| Less than 9th grade | 10.7% |
| 9th to 12th grade, no diploma | 12.7% |
| High school graduate (includes equivalency) | 28.7% |
| Some college, no degree | 22.5% |
| Associate's degree | 8.1% |
| Bachelor's degree | 11.7% |
| Graduate or professional degree | 5.6% |

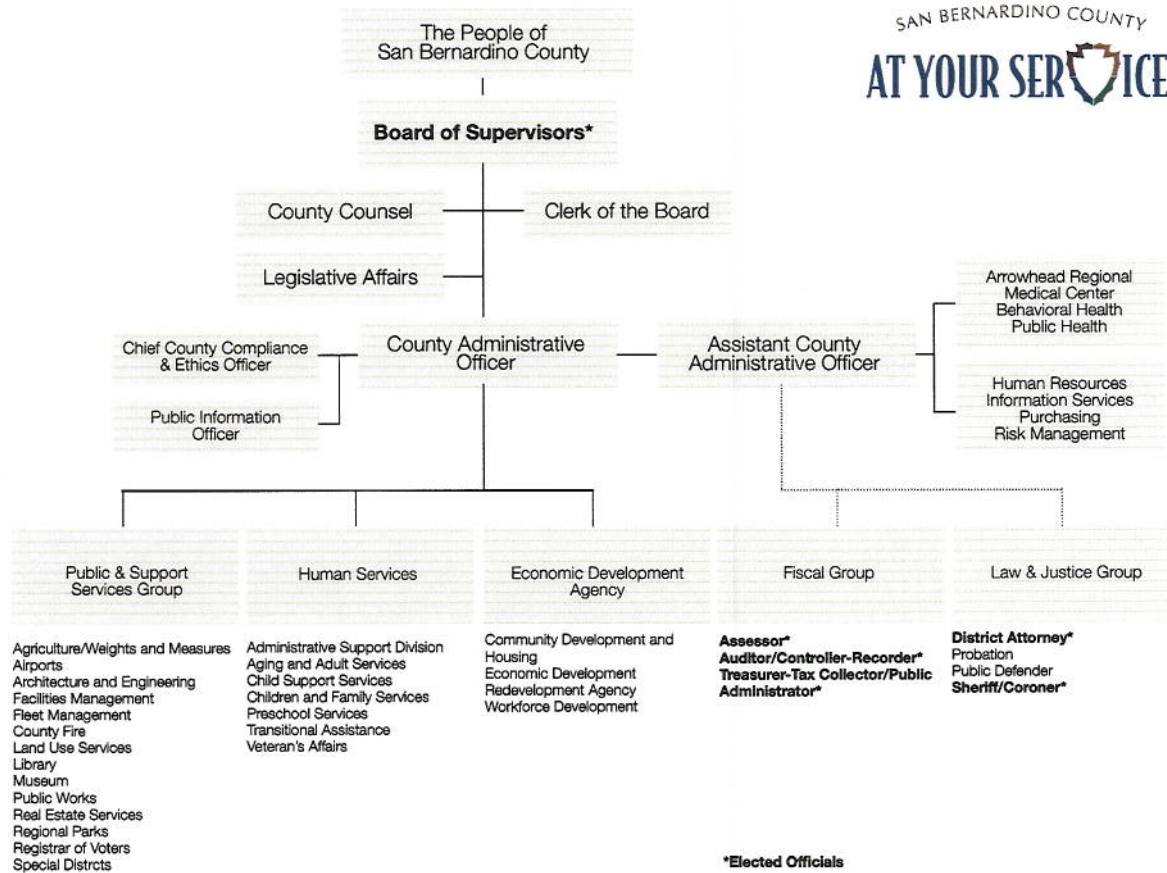
Source: U.S. Census Bureau, 2006 American Community Survey



THE COUNTY OF SAN BERNARDINO COMPARISON TO OTHER COUNTIES



San Bernardino County Organizational Chart





COUNTY OF SAN BERNARDINO

The County of San Bernardino's 2009-10 Final Budget covers the period from July 1, 2009 – June 30, 2010. The budget consisting of the general fund, restricted financing funds, capital project funds, special revenue funds, and enterprise funds has a total appropriation of \$3.6 billion. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget.

When developing their individual budgets, each department considers the following mission, vision, and value statements of the County of San Bernardino:

Mission Statement

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the **health, safety, well-being, and quality of life** of its residents according to the County Charter, general laws, and the will of the people it serves.

Vision Statement

Our vision is to create a safe, clean, and healthy environment that appeals to families and individuals, and attracts the best in business and industry. We will create, support, and enhance vibrant communities that emphasize beauty, culture, art, recreation, education, and a sense of history.

VALUES Statement

To achieve our Vision, we dedicate ourselves to these values:

- **Valuing** our workforce by providing recognition, training and education, opportunities for customer service and career development, a safe and healthy work environment and fair compensation.
- **Appreciation** and promotion of the diverse cultures that comprise our workforce and the communities we serve.
- **Leadership** by coordinating regional planning through collaboration with local communities and businesses.
- **Unquestioned integrity** that embraces a culture of honor and trustworthiness.
- **Excellence** in the development of efficient and cost-effective strategies to improve customer service in an atmosphere that allows and encourages new ideas.
- **Service** of the highest quality to our customers delivered with dignity and respect.

The County of San Bernardino's annual budget process starts with the development of the Annual Report and Business Plan document. The Annual Report and Business Plan document is the instrument used by the County to tie departmental budgets to departmental goals, objectives, and performance measures. This final budget book is the product of the annual budget process. While this final budget book includes departmental strategic goals and performance measures, which demonstrate how departments meet their overall departmental mission as well as the global mission of the County, it does not list the departmental objectives contained in the Annual Report and Business Plan document. Therefore, the following two pages provide a high-level overview of County departments. For those departments offering primary services, a single goal and objective has been listed that best highlights the County's global mission statement.



COUNTYWIDE SERVICES

The services provided by the County are arranged into categories in accordance with the County Mission Statement. Therefore, the public services provided are categorized by health, safety, well-being, and quality of life services. In addition, the County's fiscal services provide public support. The categories of leadership and support services are essential to the administration of county government.

PUBLIC SERVICES**Health Services**

- Arrowhead Regional Medical Center
- Behavioral Health
- Public Health

Safety Services

- County Fire
- District Attorney
- Law and Justice Group Administration
- Probation
- Public Defender
- Sheriff-Coroner

Well-Being Services

- Aging and Adult Services/Public Guardian
- Agriculture/Weights and Measures
- Child Support Services
- Human Services Administration
 - Transitional Assistance
 - Children and Family Services
- Land Use Services
- Public Works
- Registrar of Voters
- Special Districts
- Veterans Affairs

Quality of Life Services

- Airports
- Community Development and Housing
- Economic Development
- County Library
- County Museum
- Preschool Services
- Redevelopment Agency
- Regional Parks
- Workforce Development

Fiscal Services

- Assessor
- Auditor/Controller-Recorder
- Treasurer-Tax Collector/Public Administrator

ADMINISTRATIVE SERVICE**Leadership**

- Board of Supervisors
- County Administrative Office

Support Services

- Architecture and Engineering
- Capital Improvement Program
- Clerk of the Board
- County Counsel
- Facilities Management
- Fleet Management
- Human Resources
- Information Services
- Purchasing
- Real Estate Services
- Risk Management



SYNOPSIS OF SAN BERNARDINO COUNTY GOALS AND OBJECTIVES

| SERVICES | GOALS | OBJECTIVES |
|--|--|---|
| HEALTH: | | |
| Arrowhead Regional Medical Center | Increase selected medical center volumes. | Initiate radiation therapy through Linear Accelerator Services, with an estimated 2,500 treatments for 2009-10. |
| Behavioral Health | Increase access to behavioral health services for individuals that are underserved or who are receiving a limited level of services. | Continue to implement community-based behavioral health care and treatment programs that serve as alternatives to more restrictive levels of care |
| Public Health | Prevent disease and disability, and promote healthy lifestyles. | Decrease the number of babies born with exposure to drugs and/or alcohol due to their mother's substance abuse during pregnancy. |
| SAFETY: | | |
| District Attorney | Promote public safety by punishing criminal conduct. | Continue to promptly, effectively, and ethically prosecute criminal offenses. |
| Law and Justice Group Administration | Reduce the negative effects of gang-related crimes on the citizens of the county. | Implement the Strategic Plan on Gangs to reduce gang activity. |
| Probation | Ensure treatment and supervision levels are based on criminogenic risk factors. | Assess new juvenile and adult probationers to determine expected risk of recidivating. |
| Public Defender | Reduce backlog of old cases. | Increase early resolution of cases, thus minimizing custody time and costs. |
| Sheriff-Coroner | Enhance response capabilities to disasters and other emergencies. | Improve communication capabilities during critical incidents. |
| WELL BEING: | | |
| Aging & Adult Services/Public Guardian | Ensure the safety of at-risk adults and the elderly to improve or maintain quality of life. | Respond to emergency Adult Protective Services (APS) referrals within state mandated time frames. |
| Agriculture/Weights and Measures | Protect the public's health and the environment by preventing foreign pest infestations and the misuse of pesticides in light of increases in county population. | Inspect all common land and airfreight carriers receiving shipments of plant material for compliance with quarantines and freedom from foreign pests that arrive in the county. |
| Child Support Services | Improve service delivery to provide timely, effective, and professional service. | Ensure that the new automated system supports the delivery of quality services by evaluating and restructuring current business practices. |
| Human Services Administration: <i>Transitional Assistance</i> | Increase the work participation rate of recipients of CalWORKs benefits. | Increase the number of Welfare-to-Work mandatory CalWORKs participants who are engaged in a Federal Welfare-to-Work activity. |
| <i>Children's Services</i> | Reduce the number of children who enter foster care each year. | Continue implementation of Family-to-Family and other practices that reduce the number of children who must enter foster care. |
| Land Use Services | Code Enforcement - increase number of initial inspections performed from the date of receiving complaint. | Perform initial inspections within one week of receiving the complaint. |
| Public Works | Maintain the level of safety and maintenance for county maintained roads. | Maintain county roads at the average Pavement Condition Index (PCI) of 70 or greater. |
| Registrar of Voters | Increase voter participation in the electoral process. | Continue to analyze the effectiveness of off-site early voting at various locations. |
| Special Districts | Increase staff proficiency to promote health and safety and program enhancements for all districts. | Provide for key staff to receive emergency preparedness training. |
| Veterans Affairs | Emphasize higher standards of customer service. | Review customer service policy to ensure full commitment to customers. |
| QUALITY OF LIFE: | | |
| Airports | Improve airport infrastructure. | Develop specific studies and plans to identify necessary infrastructure improvements, such as storm water drainage, fire suppression, sewer, etc. |
| Community Development and Housing | Expand the supply of quality, safe, sanitary, and affordable housing for residents of San Bernardino County. | Increase the availability of low, moderate, and middle income housing. |
| Economic Development | To foster job creation, increase private investment and enhance county revenues through the attraction and expansion of business. | Assist in keeping existing businesses progressive and profitable and allowing companies the opportunity to grow within our community. |
| County Library | Enhance computer and electronic resources for the public. | Increase the number of computers available to the public. |
| County Museum | Improve customer service by enhancing public awareness of museum services and programs. | Increase school group visitations and outreach programs to schools. |
| Preschool Services | Achieve school readiness of enrolled children to ensure progress toward positive outcomes. | Teachers will share child assessment information with parents and use this input to prepare home and classroom activities responsive to children's individual needs. |
| Regional Parks | Provide for the safety and maintenance of the County Trails System. | Provide prompt response to all safety and maintenance issues pertaining to the trail system. |
| Workforce Development | Increase employability of county residents through services provided. | Increase number of county residents served by 5%. |



FINANCIAL PLANNING CALENDAR**Ongoing**

The Board of Supervisors provides ongoing policy direction to the County Administrative Officer.

Departments provide year end estimates of revenues and expenditures to the County Administrative Office on a monthly basis.

October through December

Annual Report and Business Plan – Department-wide Annual Report and Business Plan are developed and serve as a guideline to lead the County in preparing the upcoming budget. The Annual Report and Business Plan is a comprehensive and systematic management tool designed to help each department assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the department's mission, and achieve consensus on goals and objectives for achieving that mission. The Annual Report and Business Plan supports the annual budget plan by illustrating how a department's budget and available resources can be tied to goals and objectives, and is used to track, monitor, and evaluate departmental progress by establishing timelines and milestones, and comparing projections to actual accomplishments.

Capital Improvement Plan – Departments submit annual capital improvement requests for improvements to land or structures that exceed \$5,000. These requests include a project description and justification, financial impact, and funding source. The requests are evaluated and prioritized by the County Administrative Office and presented to the Board of Supervisors for comments and recommendations. In addition, departmental five-year capital improvement plans are updated to re-evaluate priorities based on changing circumstances, staffing levels, and available funding.

Fee and Internal Service Rate Development – Departments develop their proposed fee changes and internal service rate adjustments for the upcoming budget year and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors.

January and February

Five-year Financial Plan – The County Administrative Office develops a five-year forecast of financial operations for general fund programs, projecting major revenues and expenditures, based on current service levels and expected future changes to those programs or service levels. The analysis includes the identification of trends, significant impacts, and recommendations, which are reported to the Board of Supervisors.

Business Plan Workshop – Department Heads, County Administrative Office staff, and the Board of Supervisors meet to discuss and review the Business Plan for the upcoming fiscal year. These plans include departmental requests for additional general fund financing for which the Board of Supervisors provides input and direction to staff.

Budget Prep System – The in-house budget system is updated for changes in the various Memorandums of Understanding between the County and the various employee representation units.

March and April

Budget Prep System – The system is opened up for departmental input into preparation of the budget submittal and internal training is conducted for all users of the system.

Internal Service Rates – The rates charged by departments for services provided to other departments are brought before the Board of Supervisors for approval. In addition to rates for internal service funds, rates for services provided by general fund departments, such as Facilities Management, Human Resources, and Architecture and Engineering are also approved.

Fee Hearing – The Board of Supervisors conducts a public hearing on the Proposed Fee changes for the upcoming fiscal year. Approved fee changes are included in the Proposed Budget submittals to the Board of Supervisors.

Financing Plan – The upcoming budget year financing plan is developed based on revenue projections and estimates for cost increases of ongoing costs. This plan includes the allocation of general fund financing (local cost) and provides estimates of remaining funding available to meet unmet needs of the County.

Preparation of Proposed Budget – Departments develop their respective proposed budgets and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors. General fund departments must budget within their respective local cost allocations given to them based on the financing plan.

May and June

Submission of Proposed Budget – The Proposed Budget Book is finalized and presented to the Board of Supervisors. The County Administrative Office publishes notices and schedules public hearings to discuss the proposed budget.

Budget Hearing – The Board of Supervisors conducts a public hearing on the Proposed Budget. At this time, the Board may modify the Proposed Budget.

Adoption of Final Budget – All Board approved changes are incorporated into the Final Budget.

July through September

Budget Prep System – The County Administrative Office makes final budget changes to the Budget Prep System for items approved by the Board of Supervisors, including final fund balance adjustments.

Preparation of Final Budget Book – The County Administrative Office updates the Proposed Budget Book for final changes.

Calendar for the 2009-10 Budget

| | |
|--------------------------|--|
| October 20, 2008 | Business Plan Instructions to Departments |
| October 20, 2008 | Capital Improvement Call Letter to Departments |
| November 6, 2008 | Fee Instructions to Departments |
| November 26, 2008 | Departments Submit Business Plans |
| November 26, 2008 | Departments Submit Capital Improvement Requests |
| December 19, 2008 | Departments Submit Fee Workbooks |
| February 10 and 24, 2009 | 2009-10 Business Plan Workshop |
| March 13, 2009 | Budget Preparation System opened for Departmental Input |
| March 13, 2009 | Budget Preparation System Training |
| March 16, 2009 | Budget Instructions to Departments |
| March 24, 2009 | 2009-10 Internal Service Rates Approved |
| March 24, 2009 | Fee Hearing |
| April 7, 2009 | Board of Supervisors Approval of Targets/Financing Plan and Strategic Objectives |
| April 7, 2009 | Departments Submit Budget Workbooks |
| May 20, 2009 | Proposed Budget Delivered to the Board of Supervisors |
| June 16, 2009 | Budget Hearing |
| June 23, 2009 | Adoption of 2009-10 Final Budget |
| September 2009 | Final Budget Book Printed |



Annual Report and Business Plan

In January, the Board of Supervisors received the County's Annual Report and Business Plan. The Annual Report provides an overview of the County, including countywide facts and figures, quick facts by department, and a review of the county's highlights for the prior calendar year. Significant events, the County's outstanding employees, and national awards are accentuated. The Business Plan document is the starting point for San Bernardino County's budget process and it is intended to support the annual budget plan by tying the budget to the department's goals, objectives, and performance measures necessary to meet the overall mission of the department. The Annual Report and Business Plan is used to help track, monitor, and evaluate the progress by establishing timelines and milestones, where each department can monitor their progress and compare their projections to actual accomplishments.

Business Plan Workshops were held on February 10 and 24, 2009. These workshops provided the Board of Supervisors the opportunity to review departmental goals and objectives. Additionally, this was the first occasion for departments to explain how they utilize their allocated resources in terms of meeting projected goals and objectives and what additional resources would be needed for new projects not yet funded. At this time, departments also presented fee adjustments and/or requests for additional general fund financing, which included funding requests for those workload and program changes that are not financed within their existing general fund allocations.

General Fund Budget Process

The County Administrative Office has the responsibility of developing the county financing plan for all general fund departments. This plan begins with a five-year operating forecast which is detailed in the General Fund Financing section of this budget book. This forecast highlights what costs are planned to be incurred in the upcoming fiscal year as well as the next four fiscal years and the revenue projections for the upcoming fiscal year as well as the next four fiscal years. The County uses this forecast to start building their financing plan for 2009-10.

The financing plan also focuses on the two restricted financing sources, Proposition 172 and Realignment. Proposition 172 assists in financing the Sheriff-Coroner, District Attorney, and Probation departments. Realignment assists in financing the general fund departments of Human Services, Behavioral Health, and Public Health for mental health, social services, and health programs. If these financing sources are not sufficient to pay for those departments' costs, then general fund discretionary sources are considered.

For some departments, budgets are also built utilizing revenues generated from fees. On March 24, 2009, the Board of Supervisors held a Fee Hearing. The Fee Hearing is designed to take public testimony related to fee changes for the 2009-10 fiscal year. The fees were approved on April 7, 2009. This early approval date allows for the incorporation of any fee changes into the proposed budgets. In addition, the approved fees become effective with the start of the fiscal year.

Also on April 7, 2009, the Board of Supervisors was presented with the 2009-10 financing plan. The plan included an analysis of 2009-10 financing which incorporated beginning financial position and adjustments to ongoing discretionary revenue and Prop 172 revenue, as well as estimates of one-time discretionary funding sources. Next, costs for maintaining current services were presented. Due to the current economic conditions, the 2009-10 financing plan was different than most fiscal years because there was no additional financing available to finance the increase in costs to maintain current services. Therefore, the decline in ongoing revenue projections warranted the implementation of a strategic mitigation plan.

The strategic mitigation plan incorporated several ongoing mitigations in order to balance the budget for 2009-10. Countywide mitigations included reducing workers compensation rates since the County has achieved its 80% actuarially acceptable confidence level, implementing a retirement incentive program which would provide ongoing savings as their vacated positions will be held open for five years, and using ongoing set-asides that the County established in 2004-05 for future ongoing expenditures. Additional mitigations which directly impact departments include departments absorbing the MOU increases for 2008-09 without additional financing, 8% local cost reductions and salary reductions in the form of either foregoing pay raises or reduced work weeks. The approved financing plan resulted in the distribution of lesser budget targets for general fund departments for 2009-10.



On June 16, 2009, the 2009-10 Proposed Budget Hearing was held and during the hearing, departmental requests for additional general fund financing were presented. Due to the current economic condition facing the County, the County Administrative Office recommended not including any of these additional requests in the Final Budget. Only two recommendations, which arose after the compilation of the Proposed Budget, were made by the County Administrative Office. One funding adjustment resulted from the negotiated salary savings agreements and the second funding adjustment was in the Registrar of Voters budget unit.

The 2009-10 Final Budget was formally adopted on June 23, 2009. At that time, the Board of Supervisors approved some additional changes (Noted in Appendix A) to the Final Budget and also directed that any final fund balance adjustment in the general fund be made to the appropriation for contingencies. No money can be spent from contingencies without obtaining Board of Supervisors approval.

Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has restricted financing funds, capital project funds, special revenue funds, enterprise funds, and internal service funds. All of these funds are restricted to the revenue sources they receive. Each department having these types of funds is responsible for developing its budget based on the revenue resources available to them. These resources include projected revenue to be collected in 2009-10 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets were also discussed during the Budget Hearing. In addition, when the Board of Supervisors approved the final budget, they also approved the necessary fund balance adjustments to these funds to agree to the Auditor/Controller-Recorder's actual fund balance.

Amending the Final Budget

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level within budget units for the County. Any increases in appropriation in a budget unit after adoption of the final budget require an item to be placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation within the same budget unit may be approved by the County Administrative Office or the Board of Supervisors depending upon the appropriation unit. Exceptions are noted below:

Transfer of Salaries and Benefits Appropriation:

- Transfers out funded with local financing are not allowed.
- Transfers out not funded with local financing requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in from other available appropriation within the budget unit will be required if budgeted salaries and benefits appropriation is inadequate to meet expenditures.

Transfer of Fixed Asset Appropriation:

- Transfers out requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in, less than \$10,000, may be approved by the County Administrative Office.
- Transfers in, greater than \$10,000, requires an item to be placed on the agenda of the Board of Supervisors for approval.

BUDGET BOOK FORMAT

Budget units presented in this book are displayed at a fund/department level. Although some departments incorporate additional organizational levels when developing their budgets, the fund/department level of presentation was selected to provide consistency between all budget units. A sample of the departmental budget format is included in this overview.

DEPARTMENT Department Head

The department name and responsible administrator are listed at the top.

MISSION STATEMENT

A clear, concise statement of purpose for the department that focuses on the broad, yet distinct, results the department will achieve.

ORGANIZATIONAL CHART

Demonstrates the names of key personnel and departmental structure by function, including budgeted staffing counts.

To determine total budgeted staffing, count the values listed in each box.

STRATEGIC GOALS

Strategic goals for which measures can be objectively determined and ultimately linked to performance measures.

| PERFORMANCE MEASURES | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Description of Performance Measure | 2007-08 Actual | 2008-09 Target | 2008-09 Actual | 2009-10 Target |
| Insert Performance Measurement | 0% | 0% | 0% | 0% |
| Insert Performance Measurement | 0% | 0% | 0% | 0% |
| Insert Performance Measurement | 0% | 0% | 0% | 0% |
| Insert Performance Measurement | 0% | 0% | 0% | 0% |

The above schedule describes the department's performance goals for the 2009-10 budget year and actual performance for 2008-09.



SUMMARY OF BUDGET UNITS

| 2009-10 | | | | | | |
|---------------------|----------------------|----------------|-------------------|---------------------|--------------------------------------|-----------------|
| | Appropriation | Revenue | Local Cost | Fund Balance | Revenue Over/ (Under) Exp | Staffing |
| Name of Budget Unit | - | - | - | - | - | - |
| Name of Budget Unit | - | - | - | - | - | - |
| Name of Budget Unit | - | - | - | - | - | - |
| TOTAL | - | - | - | - | - | - |

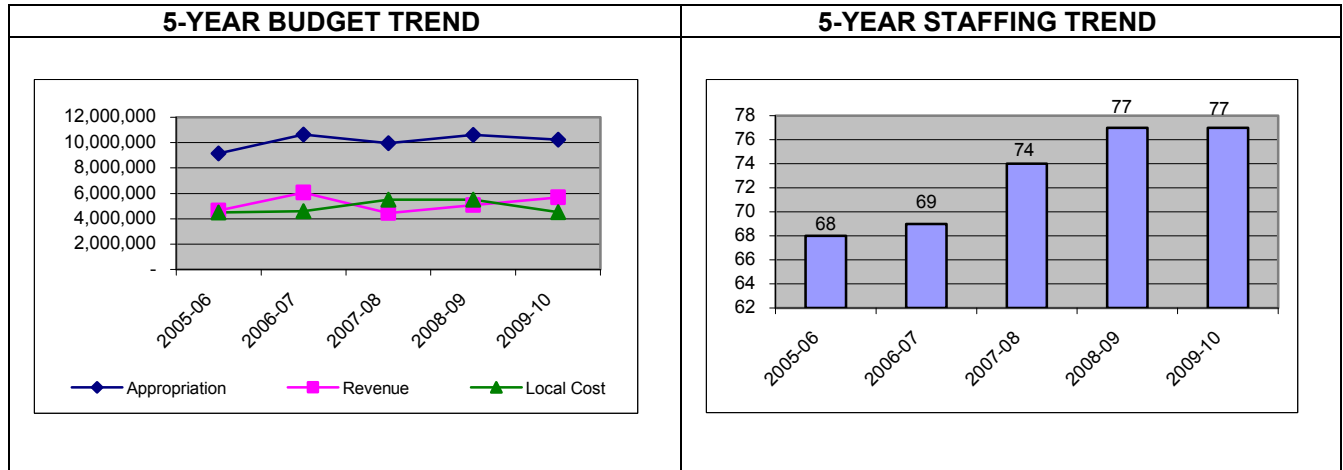
Departments that have multiple budget units will have a summary at the front of their section that lists the individual budget units and amounts for 2009-10 that they are responsible for.



DESCRIPTION OF MAJOR SERVICES

Description of Major Services provides a narrative describing the function and activity of the budget unit.

BUDGET HISTORY



These graphs display a visual picture of the department's trends for the current year and prior four years in budgeted local cost or fund balance or revenue over/(under), where applicable, and budgeted staffing.

Beginning in 2009-10, headcount versus FTE is used for budgeted staffing. Prior year values, therefore, were restated for comparative purposes.

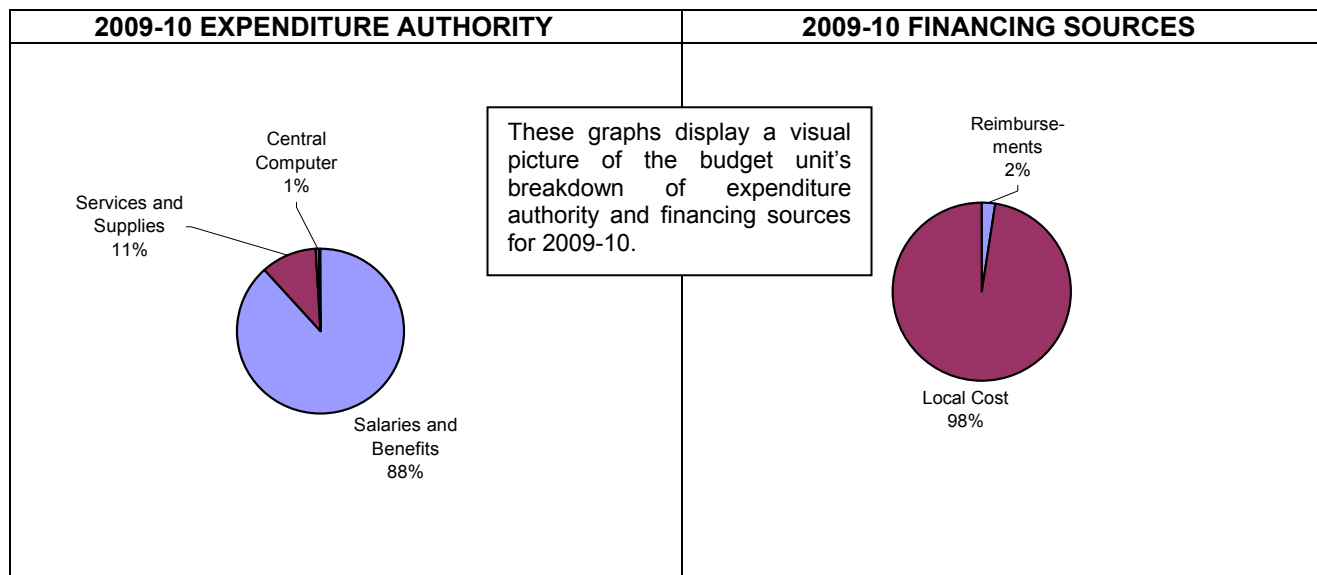
PERFORMANCE HISTORY

Performance History provides a historical overview of the budget unit, including actual amounts for 2005-06 2006-07, and 2007-08, the 2008-09 modified budget and an actual amount for 2008-09.

| | 2005-06 Actual | 2006-07 Actual | 2007-08 Actual | 2008-09 Modified Budget | 2008-09 Actual |
|----------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| Appropriation | - | - | - | - | - |
| Departmental Revenue | - | - | - | - | - |
| Local Cost | - | - | - | - | - |
| Budgeted Staffing | | | | - | |

For those departments that have significant variances between modified budget and actual in 2008-09, there will be an explanation of why this occurred.



ANALYSIS OF FINAL BUDGET

For those departments that have budget reductions as a result of the current economic condition, these impacts are briefly mentioned in a narrative followed by the schedule below.

This schedule was included in the 2009-10 Final Budget in order to detail out budget reductions that resulted from the two mitigations measures incorporated into the financing plan that impacted departments directly: the 8% Reduction and the Salary Reduction. Additionally, this schedule includes any budget reductions that were the result of State and Federal Impacts to the budget unit.

IMPACTS DUE TO BUDGET REDUCTIONS

| Brief Description of Budget Impact | Budgeted Staffing | Appropriation | Departmental Revenue | Local Cost |
|---|-------------------|---------------|----------------------|------------|
| 2009-10 8% Reduction (Explanation of Reduction, include impacts) | - | - | - | - |
| Salary Reduction (Explanation of Reduction, include impacts) | - | - | - | - |



The header shows which budget unit you are looking at and lists the Function and Activity per state guidelines.

GROUP: Administrative/Executive
DEPARTMENT: -
FUND: -

BUDGET UNIT: -
FUNCTION: -
ACTIVITY: -

| | 2005-06 Actual | 2006-07 Actual | 2007-08 Actual | 2008-09 Actual | 2008-09 Final Budget | 2009-10 Final Budget | Change From 2008-09 Final Budget |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|----------------------------|----------------------------|--|
| <u>Appropriation</u> | | | | | | | |
| Salaries and Benefits | - | - | - | - | - | - | - |
| Services and Supplies | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - |
| Contingencies | - | - | - | - | - | - | - |
| Total Exp Authority | - | - | - | - | - | - | - |
| Reimbursements | - | - | - | - | - | - | - |
| Total Appropriation | - | - | - | - | - | - | - |
| Operating Transfers Out | - | - | - | - | - | - | - |
| Total Requirements | - | - | - | - | - | - | - |
| <u>Departmental Revenue</u> | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Other Revenue | - | - | - | - | - | - | - |
| Other Financing Sources | - | - | - | - | - | - | - |
| Total Revenue | - | - | - | - | - | - | - |
| Operating Transfers In | - | - | - | - | - | - | - |
| Total Financing Sources | - | - | - | - | - | - | - |
| Local Cost | - | - | - | - | - | - | - |
| Budgeted Staffing | - | - | - | - | - | - | - |

This section provides a history of actual expenditures incurred by budget line item and the comparison of budget line item from prior year final budget to the current year final budget.

The narrative section that follows the analysis schedule briefly explains the 2009-10 final budget by appropriation unit or line item, including significant changes from the prior year final budget.



APPROPRIATION SUMMARY

The 2009-10 final budget includes appropriation of \$3,553,380,004, a decrease of \$15,511,039 or -0.43% over the 2008-09 final budget. The schedule below lists appropriation, however, it does not include operating transfers out, which is a mechanism for providing financing from one budget unit to another within the county.

| | Actual 2007-08 | Final 2008-09 | Final 2009-10 | Change Between 2008-09 & 2009-10 | Percentage Change |
|--|----------------------|----------------------|----------------------|--|----------------------|
| Countywide Operations | | | | | |
| Admin/Executive Group | 50,642,037 | 59,303,772 | 57,351,276 | (1,952,496) | (3.29%) |
| Contingencies / Board Elective Projects | 5,920,399 | 112,033,083 | 65,208,952 | (46,824,131) | (41.79%) |
| Financial Administration | 2,969,487 | 7,500,000 | 7,500,000 | - | 0.00% |
| Debt Service | 18,675,497 | 21,812,356 | 23,033,394 | 1,221,038 | 5.60% |
| Economic Development Agency | 7,584,181 | 7,318,898 | 5,710,767 | (1,608,131) | (21.97%) |
| Fiscal Group | 54,803,822 | 59,075,657 | 55,275,827 | (3,799,830) | (6.43%) |
| Health Care | 309,216,978 | 364,166,013 | 385,978,361 | 21,812,348 | 5.99% |
| Human Services | 845,890,560 | 904,830,386 | 957,306,734 | 52,476,348 | 5.80% |
| Law and Justice Group | 661,013,190 | 679,956,727 | 688,651,528 | 8,694,801 | 1.28% |
| Public and Support Services Group | 94,591,151 | 102,337,115 | 94,377,532 | (7,959,583) | (7.78%) |
| Total General Fund | 2,051,307,302 | 2,318,334,007 | 2,340,394,371 | 22,060,364 | 0.95% |
| Restricted Financing Funds | - | 62,127,620 | 48,367,610 | (13,760,010) | (22.15%) |
| Capital Project Funds | 44,466,760 | 133,946,159 | 165,219,440 | 31,273,281 | 23.35% |
| Special Revenue Funds | 217,351,408 | 471,532,686 | 445,608,864 | (25,923,822) | (5.50%) |
| Subtotal | 2,313,125,470 | 2,985,940,472 | 2,999,590,285 | 13,649,813 | 0.46% |
| Enterprise Funds | | | | | |
| Health Care - Medical Center Lease Payment | 51,876,528 | 57,492,452 | 43,218,264 | (14,274,188) | (24.83%) |
| Arrowhead Regional Medical Ctr (ARMC) | 369,697,897 | 372,646,384 | 369,122,050 | (3,524,334) | (0.95%) |
| ARMC Capital Projects | 5,220,115 | 26,405,850 | 25,816,782 | (589,068) | (2.23%) |
| County Museum Store | 37,721 | 73,546 | 83,849 | 10,303 | 14.01% |
| Regional Parks Snackbars | 92,994 | 93,392 | 92,306 | (1,086) | (1.16%) |
| Regional Parks Active Outdoors | 80,510 | 89,012 | 110,862 | 21,850 | 24.55% |
| Solid Waste Management | 89,255,943 | 126,149,935 | 115,345,606 | (10,804,329) | (8.56%) |
| Subtotal | 516,261,708 | 582,950,571 | 553,789,719 | (29,160,852) | (5.00%) |
| Total Countywide Funds | 2,829,387,178 | 3,568,891,043 | 3,553,380,004 | (15,511,039) | (0.43%) |

Countywide Operations

Although countywide operations show an overall increase in appropriation of \$22,060,364, appropriation funded with general fund financing are actually decreasing dramatically due to the declining economic conditions. Significant increases are seen in Human Services due to increases in caseload as a result of the economic downturn. These increased costs are funded primarily with State and Federal revenues. Significant decreases are in Contingencies/Board Elective Projects and in the Public and Support Services Group. Each group and the significant changes within the group are discussed below.

The **Administrative/Executive Group** shows a net decrease of \$2.0 million. The most significant decreases are seen in the Information Services' Application Development budget unit and the Human Resources budget unit where appropriation was decreased by \$1.2 million and \$1.2 million, respectively. For both of these budget units these decreases were the result of the reduced general fund financing. Slight increases are seen in three budget units due to various reorganizations that will streamline administrative processes. The Public and Support Services Group Administration was merged into the County Administrative Office budget unit. The Legislation budget unit was merged with the Board of Supervisors budget unit and the Administrative Division of the Board's budget unit was placed in the Clerk of the Board's budget unit.

Contingencies / Board Elective Projects are decreased a total of \$46.8 million. Contingencies decreased by \$47.9 million and Board Elective Projects increased by \$1.1 million. The contingencies for future retirement and jail expansion, \$7.9 million and \$7.0 million, respectively, were used as a mitigating factor in the 2009-10 financing plan. Additionally, general fund contingencies decreased by \$33.0 million primarily due to the use of contingencies through the 2008-09 fiscal year, fund balance at fiscal year end, and reduced mandated contingencies as a result of less discretionary revenue.



Board Elective Projects are accounted for in the Priority Policy Needs and Board Elective Funding budget units. These budget units are collectively financed with an annual allocation of \$3.8 million and any carryover of unspent funds from the prior years. It should be noted that \$0.3 million is budgeted in operating transfers out and therefore not reflected in the appropriation summary.

The **Economic Development Agency** shows a \$1.6 million decrease primarily due to the reduction in general fund financing and the elimination of one-time carryover funds.

The **Fiscal Group** decreased by a net \$3.8 million. Of this amount, the Assessor decreased by \$2.4 million and the Auditor/Controller-Recorder decreased by \$1.9 million. For the Assessor the reduction in appropriation is a combination of the removal of the Property Tax Administration Program general fund backfill and reductions to general fund financing. The Auditor/Controller-Recorder was also impacted by general fund financing reductions. These decreases were offset by a \$0.5 million increase in the Treasurer-Tax Collector/Public Administrator budget unit due to increased costs associated with the investment pool.

Health Care represents the departments of Public Health, Behavioral Health and Health Care Administration and this group of budget units increased by a net \$21.8 million. The Behavioral Health general fund budget unit increased appropriation by \$12.0 million as a result of the transfer of 31 positions from the Alcohol and Drug Program, the expansion of Mental Health Services Act funded programs, and the inclusion of 2008-09 MOU increases not reflected in the prior year final budget. The Health Care Administration budget unit increased a net \$10.5 million due to increases in other charges related to the Intergovernmental Transfers to the State and matches related to the California Medi-Cal Hospital/Uninsured Care Demonstration Project (SB 1100). Offsetting this increase was the transfer of Inland Counties Emergency Medical Agency staff from this budget unit to a new budget unit established for the agency. The Public Health budget unit increased a net \$1.5 million for which the majority of this increase was related to 2008-09 MOU increases which were adopted mid-year and not reflected in the prior year final budget. The Public Health – California Children’s Services budget unit decreased by \$1.9 million as a result of the reduction of 29 positions based on decreased revenues associated with the State imposed cap on revenue reimbursement. The Alcohol and Drug Services Program conducted by Behavioral Health was slightly decreased by a net \$0.2 million resulting from the transfer of positions to Behavioral Health, the restructuring of clinics and State budget reductions, coupled with the change in reporting Prop 36 funding from a reimbursement to an operating transfer in.

The **Human Services** increased a net \$52.5 million. Significant increases are budgeted in the two subsistence budget units which are funded primarily with State and Federal revenues: CalWORKs – All Other Families (\$47.8 million) and CalWORKs – 2 Parent Families (\$18.6 million). The CalWORKs heightened costs are due to dramatic increases in the number of cases resulting from the slowing economy. An increase of \$30.6 million is also reflected in the Human Services Administrative Claim budget unit which is the result of an increase of \$20.2 million in administrative allocations due to the slowing economy, \$3.0 million in allocation increases due to State mandated IT enhancements, and a \$7.4 million increase in In-Home Supportive Service provider payments due to projected caseload growth.

These Human Services increases were offset by two major decreases in subsistence budget units. The budget unit for Entitlement Payments (Child Care) was reduced by \$39.9 million due to the transition of the state childcare programs to county schools and the AFDC – Foster Care budget unit decreased by \$9.9 million due to caseload decline.

The **Law and Justice Group** increased by \$8.7 million. The most significant increases are in the following budget units: Sheriff-Coroner (\$3.4 million), Trial Court Funding – Court Facilities Payments (\$1.9 million), Public Defender (\$1.8 million), Probation (\$1.4 million), and District Attorney (\$1.4 million). Increases in the Sheriff-Coroner budget unit will support electronic monitoring, costs related to inmates, building security, equipment for the crime lab and the lab computer system. Increases in the Trial Court Funding – Court Facilities Payments reflect the completion of the transfer of all courthouses to the State. Public Defender increases are directly related to staffing increases as 37 positions were added to mitigate increasing caseloads. Probation budgeted for increases in the service and supplies appropriation for furniture, disaster preparedness and computer equipment, and insurance costs. For the District Attorney, the increase is primarily reflected in the salaries and benefits appropriation. Although this budget unit experienced a decrease of 21 budgeted positions, costs increased due to a technical change in the way positions are budgeted and increased attorney leave cash outs.

The **Public and Support Services Group** shows a net decrease of \$8.0 million. Budget units with significant decreases include: Facilities Management (\$2.0 million), Public and Support Services Group (\$2.0 million), Land Use Services – Building and Safety (\$1.9 million) and Land Use Services – Advance Planning (\$1.2 million). Facilities Management decreases are the direct result of the various budget reductions experienced by this department and the elimination of the Home Repair Program. As mentioned previously, the Public and Support Services Group Administrative budget unit was consolidated into the County Administrative Office budget unit for efficiency purposes. Building and Safety decreases are a result of the steep decline in building permits. The majority of reductions to Advance Planning reflect the completion of various plans for which one-time funding was approved in the 2008-09 final budget and required budget reductions to this budget unit for 2009-10.

Offsetting these significant decreases were noteworthy increases to Real Estate Services' Courts Property Management budget unit of \$2.0 million which reflects full year costs associated with the final transfers of courthouses to the State and a \$1.0 million increase in the Utilities budget unit to finance special projects, including but not limited to, the West Valley Water interconnection at Glen Helen, and anticipated increases in electricity rates.

Restricted Financing Funds

Restricted Financing Funds consist of two restricted financing sources – Prop 172 and Realignment. Prop 172 revenue assists in financing the Sheriff-Coroner, District Attorney, and Probation departments. Realignment assists in financing mental health, social services and health programs within the County. All financing not anticipated to be utilized during the fiscal year are appropriated in contingencies in these restricted funds.

Of the total \$48.4 million for these restricted financing funds, the Realignment portion is \$30.1 million and the Prop 172 portion is \$18.3 million. Appropriation decreased from the prior year by a net \$13.8 million, which consisted of a \$14.8 million decrease in Realignment offset by a \$1.0 million increase in Prop 172. For more details regarding the usage of these restricted financing funds, refer to the General Fund Financing section of this budget book.

Capital Project Funds

Capital Project Funds appropriation increased by a net \$31.3 million from the prior year amount. Of the \$165.2 million total appropriation for all capital projects for 2009-10, \$19.4 million was budgeted for new projects and \$145.8 million was budgeted as carryover projects. For more details regarding capital project funds, refer to the Capital Improvement Program section of this budget book.

Special Revenue Funds

Special Revenue Funds decreased by \$25.9 million overall.

Significant decreases in appropriation in special revenue funds include:

- \$26.6 million decline in Transportation's Road Operations budget unit is the result of a decline in services and supplies and budgeted contingencies primarily due to a \$7.5 million anticipated decrease in Proposition 1B funding and an increase in reimbursements for various projects and equipment/materials usage.
- \$14.9 million reduction in the Airport's Capital Improvement Program budget unit is primarily the result of reduced Federal Aviation Administration financing to acquire land at Chino Airport for runway protection zones.
- \$10.9 million reduction in the contingencies appropriation of the Master Settlement Agreement budget unit to reflect available fund balance.
- \$10.9 million decrease in budgeted contingencies in the Behavioral Health's Mental Health Services Act budget unit due to less financing sources available.

- \$5.3 million decrease in total appropriation in the Law and Justice Group's Southwest Border Prosecution Initiative budget unit as several law enforcement projects were approved by the Board of Supervisors for which the financing will be moved into the respective operating budgets of the Sheriff-Coroner, Architecture and Engineering, Probation and Public Defender in 2009-10.
- \$5.0 million decrease in appropriation in Behavioral Health's Proposition 36 budget unit due to a shift in accounting for transfers. Funding was moved from the transfer appropriation to operating transfers out. The department plans to expend all funds within the fiscal year.
- \$3.7 million decrease in the Auditor/Controller-Recorder's Systems Development budget unit due to anticipated revenue reductions as the number of recorded document pages is expected to decline.
- \$2.2 million decrease in the County Library budget unit is reflected in both salaries and benefits and services and supplies appropriation units. These decreases are the result of reductions in vacant positions and number of work hours, coupled with reductions in the County Library's book/material budget.
- \$1.3 million reduction in the Probation's Juvenile Justice Grant Program budget unit due to the elimination of prior year budgeted contingencies and the reduction of State allocated funding for the program.

Significant increases in appropriation in special revenue funds include:

- \$24.3 million net increase in Community Development and Housing budget unit for community development and housing assistance for low and moderate income citizens based on various grants and other funding sources including increases in the following major programs: \$20.4 million related to the Neighborhood Stabilization Program Grant, \$2.8 million in funding from the HOME Investment Partnerships Act, \$1.8 million related to Community Development Block Grants, and \$3.9 million related to Inland Valley Development Agency projects.
- \$16.2 million increase in Workforce Development budget unit due to one-time funding increases from the American Recovery and Reinvestment Act as well as increases in Workforce Investment Act funding resulting from increased unemployment and the economic downturn.
- \$6.4 million increase in the Transportation's Measure I Program budget unit related to a new Lenwood Road grade separation project in Barstow and the Starlight Mesa Road apron installation project in Yucca Valley. Additionally, rehabilitation projects are scheduled for roads in Bloomington, Phelan and Crestline areas.
- \$3.9 million increase in Preschool Services budget unit resulting from the conversion of several hundred contract employees to the county retirement system and increases in workers compensation charges.
- \$2.5 million increase in contingencies in Behavioral Health's Block Grant Carryover Program budget unit based on anticipated departmental revenue.

Enterprise Funds

Of the seven enterprise funds listed in the appropriation summary, Health Care – Medical Center Lease Payment, Arrowhead Regional Medical Center (ARMC), and Solid Waste Management had the most significant changes.

Health Care – Medical Center Lease Payment appropriation is decreasing by \$14.3 million. This decrease is related to prior year's lease payments which included the final maturity of the 1997 Medical Center equipment bonds and associated fees.

Arrowhead Regional Medical Center (ARMC) decreased appropriation by a net \$3.5 million. The two significant areas changing in their budget unit include services and supplies and costs for fixed assets. Services and supplies increased by \$5.0 million primarily due to the planned opening of the sixth floor nursing units as part of the sixth floor patient room expansion. The other major area is fixed assets, which is decreasing by \$7.0 million as less planned expenditures are slated for 2009-10.

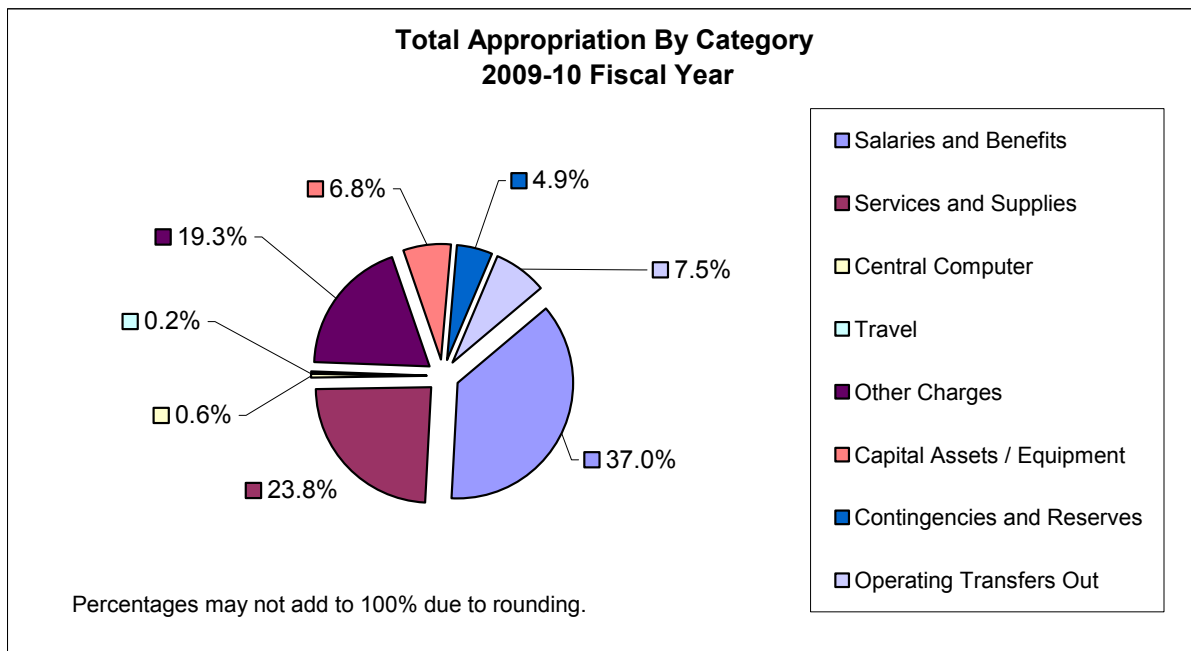


The budget units that comprise Solid Waste Management (SWM) decreased appropriation by a total of \$10.8 million. In the area of operations, significant reductions to appropriation include \$6.1 million to services and supplies for the completion of the Disaster Debris Program relative to the October 2007 fires and the re-classification of active site environmental projects to the SWM Environmental Fund to better segregate all such projects into one budget unit. Additionally, other charges were reduced \$2.1 million related to lower lease payments to the Inland Empire Public Facilities Corporation to repay SWM Operations' bond financing instrument. For site enhancement, expansion and acquisition, a \$9.6 million reduction was in land improvements due to a decrease in the number of new and carryover projects scheduled for 2009-10. Site closure and maintenance appropriation changes include increases of \$7.0 million in services and supplies and reductions of \$6.3 million in land improvements resulting primarily from the Big Bear Closure project being moved from land improvements to professional services for conformity with accounting pronouncement GASB #18 that requires this asset to be expensed and applied against the landfills long-term closure liability. Solid Waste's Environmental Fund anticipates increases of \$2.1 million in services and supplies and \$3.5 million in land improvements for additional projects anticipated in the new fiscal year.

The appropriation summary charts presented on the following pages include expenditures and other financing uses such as operating transfers out for all appropriated funds. Operating transfers out represent financing provided from one budget unit to another within the county. The figures presented on the appropriation summary by category chart are subtotaled prior to the operating transfers out line. The appropriation categories reflected in the subtotal are the same as presented on the first page of this County Budget Summary section. Additionally, there are charts to reflect appropriation summary by category, appropriation summary by group/agency and appropriation summary by fund type.

APPROPRIATION SUMMARY BY CATEGORY

| | Fiscal Year 2007-08 Final Budget | Fiscal Year 2008-09 Final Budget | Fiscal Year 2009-10 Final Budget |
|--|--|--|--|
| Appropriation | | | |
| Salaries and Benefits | 1,414,348,650 | 1,413,210,588 | 1,421,265,289 |
| Services and Supplies | 848,640,760 | 882,973,902 | 914,869,225 |
| Central Computer | 20,414,813 | 21,875,645 | 22,171,715 |
| Travel | - | 10,351,922 | 7,443,000 |
| Other Charges | 705,918,422 | 684,942,920 | 742,428,913 |
| Capital Assets / Equipment | 274,682,341 | 269,578,077 | 260,274,808 |
| Expenditure Transfers & Reimbursements | 198,123 | 529,283 | (3,365,942) |
| Contingencies and Reserves | 209,453,017 | 285,428,706 | 188,292,996 |
| Subtotal | 3,473,656,126 | 3,568,891,043 | 3,553,380,004 |
| Operating Transfers Out | 245,852,403 | 264,467,802 | 287,757,050 |
| Total | 3,719,508,529 | 3,833,358,845 | 3,841,137,054 |
| Budgeted Staffing | | | |
| | 20,829 | 20,539 | 19,670 |



Changes by appropriation category for all appropriated funds include:

- Salaries and Benefits are increasing from the prior year by approximately \$8.1 million or 0.6%. This change reflects the 2008-09 MOU increases which were adopted by the Board of Supervisors midyear and therefore not reflected in the 2008-09 final budget. These increases were offset by reductions in Workers' Compensation costs. For more details regarding departmental budgeted staffing changes, refer to the 'Budgeted Staffing Summary' found later in this section of the budget book.
- Services and Supplies are increasing by approximately \$31.9 million or 3.6%. Significant increases include Community Development and Housing, Arrowhead Regional Medical Center, Human Services Administrative Claim, Sheriff-Coroner, and Solid Waste Management. Significant decreases are seen in Transportation's Road Operations and Economic Development.
- Central Computer is increasing by \$0.3 million or 1.4% due to increased usage as there was no rate increase for 2009-10.
- Travel is decreasing from the prior year budget by \$2.9 million or -28.1%. This decrease is combination of the various reductions required of departments, as well as a re-examination of travel costs in that the basis for costing was not completely known in the first year of (2008-09) implementation for this new appropriation unit.
- Other Charges are increasing by \$57.5 million or 8.4%. This appropriation unit includes public assistance payments, contributions to other agencies, debt service payments, and interest expense. This increase is a reflection of the need for additional public assistance as a result of the current economic condition.
- Capital Assets/Equipment is decreasing by \$9.3 million or -3.5%. This appropriation category includes several subcategories: land acquisition, improvements to land, easements / rights of way, structures and improvements to structures, vehicles, equipment purchases and lease purchases, and capitalized software. Significant changes in subcategories include a decrease to land of \$19.4 million in the Airport's Capital Improvement Program budget unit. Additionally, this budget unit increased improvements to land by \$2.5 million, whereas, Solid Waste Management had a decrease of \$12.7 million, to improvements to land. The subcategory of improvements to structures increased for Capital Project Funds (\$27.5 million) and decreased for the Arrowhead Regional Medical Center (ARMC) Capital Projects (\$0.6 million). In the subcategories of equipment and vehicles, ARMC decreased equipment by \$6.4 million, Sheriff-Coroner increased equipment by \$1.0 million and Transportation's Road Operations increased vehicles by \$10.7 million.
- Expenditure Transfers & Reimbursements changing from a net positive total of \$0.5 million to a net negative balance of \$3.4 million or a net negative change of \$3.9 million. Expenditure Transfers are the movement of resources from one budget unit to another for payment of services received and Reimbursements are the amount received as a payment for the services provided on behalf of another governmental unit or department. Reimbursements are considered a financing source.
- Contingencies and Reserves are decreasing by a total of \$97.1 million or -34.0%. Significant decreases in contingencies include \$47.9 million in general fund contingencies, of which \$32.4 million is in contingencies for uncertainties; \$7.9 million and \$7.0 million is in ongoing set-aside contingencies for future retirement costs and jail expansion, respectively and \$0.6 million in reduced mandated contingencies as a result of less discretionary revenue; \$14.8 million in Health Realignment contingencies; \$10.9 million in the Master Settlement Agreement special revenue fund; \$10.9 million in the Mental Health Service Act special revenue fund; and \$5.5 million in the Law and Justice Group's Southwest Border Prosecution Initiative special revenue fund. Offsetting these decreases are increases of \$2.5 million and \$2.1 million to the Behavioral Health's Block Grant Carryover Program and the Workforce Development special revenue funds.
- Operating Transfers Out is a method of providing financing from one budget unit to another for the implementation of a project or program, and is increasing by \$23.3 million or 8.8%. The most significant increases are \$43.9 million in three Behavioral Health special revenue funds and \$4.0 million in the Law and Justice Group's Southwest Border Prosecution Initiative special revenue fund; decreases include \$8.0 million in the Capital Projects Fund, \$17.1 million in the Financial Administration budget unit, \$2.8 million in Solid Waste Management, and \$2.5 million in Health Realignment.



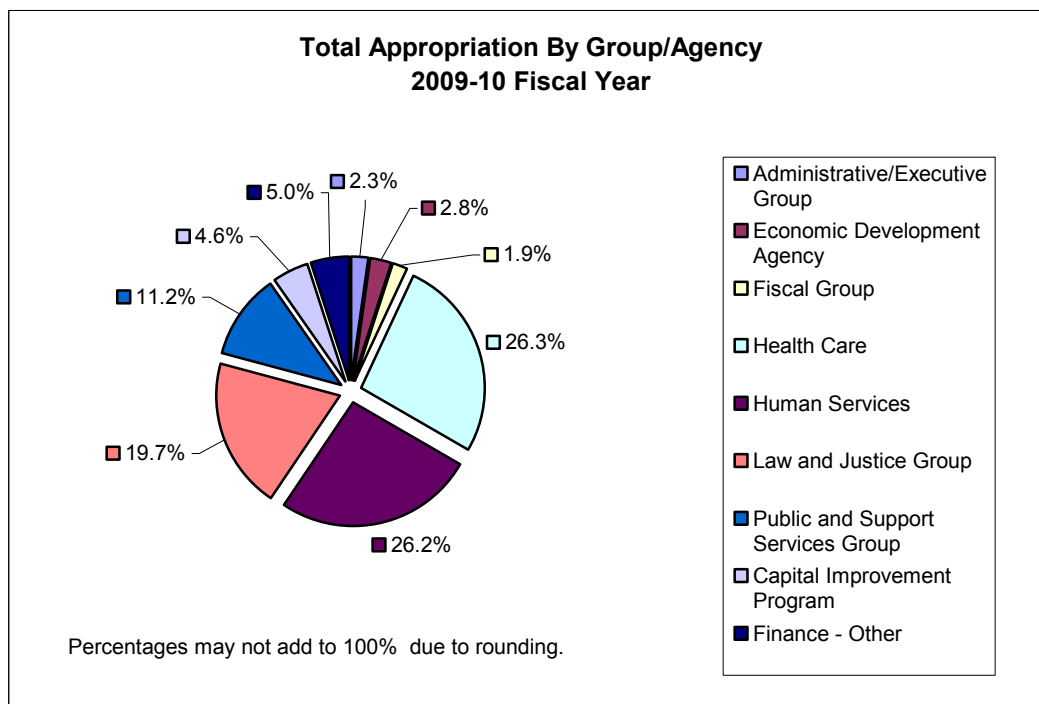
APPROPRIATION SUMMARY BY GROUP/AGENCY

| | Restated Fiscal Year 2007-08 Final Budget | Fiscal Year 2008-09 Final Budget | Fiscal Year 2009-10 Final Budget |
|-----------------------------------|--|--|--|
| Administrative/Executive Group | 94,047,229 | 88,270,592 | 87,994,378 |
| Economic Development Agency | 71,494,292 | 70,245,717 | 109,078,940 |
| Fiscal Group | 84,929,021 | 78,633,335 | 72,527,965 |
| Health Care | 1,014,678,565 | 992,253,906 | 1,010,720,373 |
| Human Services | 886,107,661 | 945,824,265 | 1,005,092,678 |
| Law and Justice Group | 725,983,383 | 745,244,139 | 755,507,803 |
| Public and Support Services Group | 481,070,487 | 490,231,909 | 430,812,115 |
| Capital Improvement Program | 137,057,617 | 153,540,654 | 176,867,606 |
| Finance - Other | 224,140,274 | 269,114,328 | 192,535,196 |
| Total | 3,719,508,529 | 3,833,358,845 | 3,841,137,054 |

| | | | |
|-------------------|--------|--------|--------|
| Budgeted Staffing | 20,829 | 20,539 | 19,670 |
|-------------------|--------|--------|--------|

Restatement represents the separation of Health Care from the Administrative/Executive Group.

The above chart lists appropriation by group / agency. The Finance – Other group includes budget units that are predominately countywide in nature, have no budgeted staffing associated with them, or exist for proper budgetary accounting purposes. Included in this group are contingencies, funding for Board elective projects, financial administration, the restricted funds of Realignment and Prop 172, and some special revenue funds that incur no expenditures and only appropriate operating transfers out.



Governmental Fund Types

General Fund: The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. The General Fund is the County's primary operating fund. General Fund – Restricted Financing consists of Prop 172 and Realignment funds.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects).

Capital Project Funds: Capital Project Funds account for financial resources designated for the acquisition or construction of major capital facilities other than those financed by Enterprise and Internal Service Funds.

Proprietary Fund Types

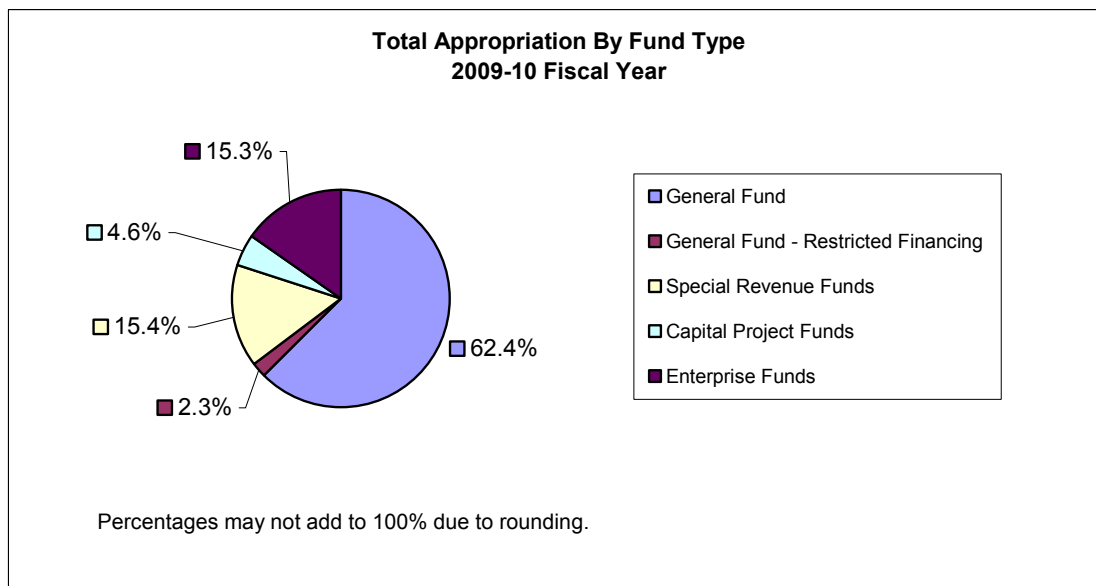
Enterprise Funds: Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds: Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

All funds, except Internal Service Funds, are appropriated. Internal Service Funds have budgets for management purposes only.

APPROPRIATION SUMMARY BY FUND TYPE

| | Fiscal Year 2007-08 Final Budget | Fiscal Year 2008-09 Final Budget | Fiscal Year 2009-10 Final Budget |
|-------------------------------------|--|--|--|
| General Fund | 2,344,839,832 | 2,388,845,335 | 2,397,256,806 |
| General Fund - Restricted Financing | 101,656,470 | 104,610,538 | 88,321,225 |
| Special Revenue Funds | 537,348,005 | 566,858,991 | 592,095,936 |
| Capital Project Funds | 137,057,617 | 153,540,654 | 176,867,606 |
| Enterprise Funds | 598,606,605 | 619,503,327 | 586,595,481 |
| Total | 3,719,508,529 | 3,833,358,845 | 3,841,137,054 |
| Budgeted Staffing | 20,829 | 20,539 | 19,670 |



The matrix below lists the group / agency as depicted in the organizational chart of the county. For each group / agency listed, the various fund types utilized are checked.

| | General Fund | Special Revenue Funds | Capital Projects Funds | Enterprise Funds | Internal Service Funds |
|--|--------------|-----------------------|------------------------|------------------|------------------------|
| Administrative/Executive Group | | | | | |
| Board of Supervisors | X | | | | |
| Clerk of the Board | X | | | | |
| County Administrative Office | X | X | | | |
| County Counsel | X | | | | |
| Human Resources | X | X | | | |
| Information Services | X | | | | X |
| Purchasing | X | | | | X |
| Risk Management | | | | | X |
| Local Agency Formation Commission | X | | | | |
| County Schools | X | | | | |
| Economic Development Agency | | | | | |
| Economic Development | X | X | | | |
| Fiscal Group | | | | | |
| Assessor | X | | | | |
| Auditor/Controller-Recorder | X | X | | | |
| Treasurer-Tax Collector/Public Administrator | X | X | | | |
| Health Care | | | | | |
| Health Care Administration | X | X | | X | |
| Arrowhead Regional Medical Center | | X | | X | |
| Behavioral Health | X | X | | | |
| Public Health | X | X | | | |
| Human Services | | | | | |
| Aging and Adult Services | X | | | | |
| Child Support Services | X | | | | |
| Human Services | X | | | | |
| Preschool Services | | X | | | |
| Veterans Affairs | X | | | | |
| Law and Justice Group | | | | | |
| County Trial Courts | X | X | | | |
| District Attorney | X | X | | | |
| Law and Justice Group Administration | X | X | | | |
| Probation | X | X | | | |
| Public Defender | X | | | | |
| Sheriff-Coroner | X | X | | | |
| Public and Support Services Group | | | | | |
| Agriculture/Weights and Measures | X | X | | | |
| Airports | X | X | | | |
| Architecture and Engineering | X | | | | |
| County Library | | X | | | |
| County Museum | X | | | X | |
| Facilities Management | X | | | | |
| Fleet Management | | | | | X |
| Land Use Services | X | | | | |
| Public Works | X | X | | X | |
| Real Estate Services | X | X | | | |
| Regional Parks | X | X | | X | |
| Registrar of Voters | X | | | | |
| Fish and Game Commission | | X | | | |
| Capital Improvement Program | | | | | |
| Capital Improvement Program | | | X | | |
| Finance - Other | | | | | |
| County Administrative Office | X | X | | | |



REVENUE SUMMARY

The 2009-10 final budget is financed from a variety of sources. These sources are listed below. This schedule does not include fund balance carried over from the prior year. It also does not include operating transfers in as they are a mechanism for providing financing from one budget unit to another within the county.

| | Actual 2007-08 | Final 2008-09 | Final 2009-10 | Change Between 2008-09 & 2009-10 | Percentage Change |
|--|----------------------|----------------------|----------------------|--|----------------------|
| REVENUE FOR ALL COUNTY FUNDS | | | | | |
| (Excluding Enterprise Funds) | | | | | |
| Property Related Revenue | 497,673,321 | 496,135,490 | 468,139,013 | (27,996,477) | (5.64%) |
| Other Taxes | 170,265,732 | 180,717,354 | 150,489,121 | (30,228,233) | (16.73%) |
| State and Federal Aid | 1,319,177,688 | 1,463,073,232 | 1,515,710,959 | 52,637,727 | 3.60% |
| Charges for Current Services | 309,294,645 | 337,823,738 | 356,789,979 | 18,966,241 | 5.61% |
| Other Revenue | 161,407,578 | 165,412,228 | 135,381,341 | (30,030,887) | (18.16%) |
| Subtotal | 2,457,818,964 | 2,643,162,042 | 2,626,510,413 | (16,651,629) | (0.63%) |
| ENTERPRISE FUNDS | | | | | |
| Health Care - Medical Center Lease Payment | 23,429,578 | 19,522,036 | 18,606,384 | (915,652) | (4.69%) |
| Arrowhead Regional Medical Center (ARMC) | 335,790,378 | 368,673,065 | 373,079,834 | 4,406,769 | 1.20% |
| ARMC Capital Projects | 633,517 | - | - | - | - |
| County Museum Store | 85,995 | 100,000 | 100,000 | - | 0.00% |
| Regional Parks Snackbars | 108,788 | 104,000 | 103,000 | (1,000) | (0.96%) |
| Regional Parks Active Outdoors | 36,084 | 89,012 | 111,470 | 22,458 | 25.23% |
| Solid Waste Management | 82,875,316 | 83,959,594 | 69,060,404 | (14,899,190) | (17.75%) |
| Subtotal | 442,959,656 | 472,447,707 | 461,061,092 | (11,386,615) | (2.41%) |
| Total County Budget | 2,900,778,620 | 3,115,609,749 | 3,087,571,505 | (28,038,244) | (0.90%) |

Property Related Revenue

Property related revenue is projected to decrease by \$28.0 million or 5.64% from the 2008-09 budget. This decline is caused by the mortgage and economic crisis that has resulted in a dramatic rise in foreclosures that have negatively affected home prices and home values. The County Assessor's Office predicts a 6% decline in assessed valuation for 2009-10. Supplemental Property Tax revenues and Property Transfer Tax revenues are also affected and are projected to decline from prior year budgeted amounts by 50% and 34% respectively. For more details regarding property related revenue, refer to the General Fund Financing section of this budget book.

Other Taxes

Other taxes are decreasing by a net \$30.2 million. Prop 172 sales tax received in 2008-09 was anticipated to be \$20.0 million below budget due to a steep decline in retail sales. For 2009-10, negative growth of 3% is estimated using 2008-09 projections which translates into a net reduction of \$24.0 million for Prop 172 in 2009-10. Discretionary sales tax revenues are projected to decline \$4.7 million from the prior year budget due to dramatic decreases in retail spending in the unincorporated areas of the County.

State and Federal Aid

An overall increase of \$52.6 million is reflected in the revenue category of state and federal aid. This increase is comprised of both increases and decreases in various programs. Significant changes in this revenue source are detailed on the following page.



Significant increases in State and Federal Aid include:

- \$25.2 million increase in the Human Services Subsistence budget units, of which \$24.7 million is in state aid for children and \$0.5 million represents federal aid for children. Additionally, the Human Services Administrative Claim budget unit increased by \$22.5 million. This increase is a combination of a \$17.1 million in federal health administration, \$7.2 million in state health administration, and \$1.2 million in state public assistance. These Administrative Claim budget unit increases are offset by a \$3.0 million decrease in federal welfare administration funding.
- \$21.7 million in federal Neighborhood Stabilization Program grant funds for Community Development and Housing which resulted from the passage of the Housing and Economic Recovery Act.
- \$17.6 million increase in state funding in Behavioral Health's Mental Health Services Act budget unit due primarily to the increase of funds in the Community Service and Support program and Prevention Early Intervention.
- \$16.3 million in federal grants for Workforce Development of which \$12.2 million is one-time funding from the American Recovery and Reinvestment Act, \$2.3 million in funding from the Workforce Investment Act, \$1.2 million in carryover funds, and \$0.6 million for the new Veteran Employment Assistance Program.

Significant decreases in State and Federal Aid include:

- \$22.3 million in Transportation's Road Operations which primarily includes a decrease of \$10.5 million in state highway users tax due to a general downturn in the economy, \$7.5 million in Prop 1B Highway funds due to a temporary cessation of distributions from the State, \$1.5 million in Proposition 42 funding and a decrease of \$2.5 million in Local Transportation Fund distributions.
- \$14.5 million in Federal Aviation Administration grant funds associated with the Airport's Capital Improvement Program budget unit due to a reduction in the project to acquire land at the Chino Airport for runway protection zones.

Charges for Current Services

Charges for current services are anticipated to increase from the 2008-09 final budget by \$19.0 million. The following provides the most significant increases in this category. The Health Care Administration budget unit increased by \$12.3 million to reflect anticipated increased revenues associated with Intergovernmental Transfers and the California Medi-Cal Hospital/Uninsured Care Demonstration Project (SB 1100). The Sheriff-Coroner is projecting increases of \$4.1 million in charges for current services, of which law enforcement services are anticipated to increase by \$2.3 million and new charges for electronic monitoring are anticipated to be \$1.8 million. Transportation's Road Operations current services are increasing by \$3.3 million primarily due to a \$1.6 million contribution from the City of Fontana for the Cherry Avenue widening project in the Fontana area and a reimbursement of \$1.7 million for engineering expenditures related to the design phase of the Glen Helen grade separation project. Lastly, Real Estate Service's Courts Property Management budget unit is increasing \$2.0 million to reflect the revenue associated with the services provided to the Administrative Office of the Courts in county managed courthouses.

Decreases in charges for current services include \$2.6 million resulting from the return of treasury pool management fees to the Treasurer-Tax Collector's budget unit from the Financial Administration budget unit, \$1.7 million in recording fees due to the anticipated decline of recordable documents and \$1.0 million in revenues associated with the SB 813 cost reimbursement, which represents allowable charges for administration and operation of the County's supplemental property tax program.



Other Revenue

Other revenue includes licenses, permits, franchises, fines and penalties, interest earnings, and tobacco settlement funds. This revenue source is anticipated to decrease by \$30.0 million over the prior year.

Significant decreases in this category include \$25.9 million in the Capital Project Funds of which, \$19.7 million of the decrease is related to the nearly completed Central Courthouse Seismic Retrofit and Remodel project and \$6.1 million was used for relocation costs to modify the 303 Office Building for court use during the retrofit and remodel. Interest is projected to decline by approximately \$5.0 million. Building and Safety permits are declining by \$1.7 million as a result of the downturn in the economy and housing markets. Child Support Services anticipates a reduction of \$1.8 million due to the elimination of one-time funding received in 2008-09 from a State approved closeout reconciliation of the child support and distribution trust fund.

Significant increases include \$3.5 million in Treasurer-Tax Collector's budget unit due to the return of the treasury pool management fees and \$1.5 million from the Inland Valley Development Authority (IVDA) for Community Housing and Development for the IVDA development zone.

Enterprise Funds

Of the seven enterprise funds listed in the revenue summary, Health Care – Medical Center Lease Payments, Arrowhead Regional Medical Center and Solid Waste Management had the most significant changes.

Health Care – Medical Center Lease Payment revenue is decreasing by \$0.9 million due to a decrease in SB 1732 reimbursement resulting from the final maturity of the 1997 Medical Center equipment bonds.

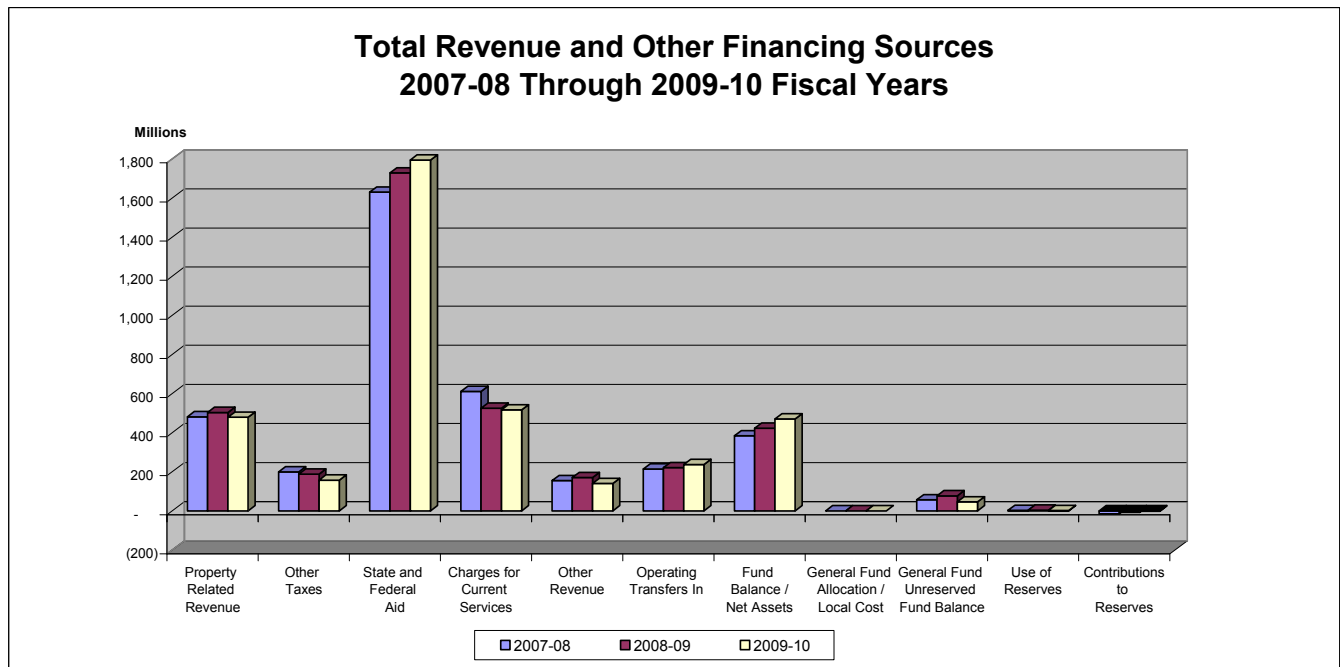
Arrowhead Regional Medical Center (ARMC) revenues are expected to increase by a net \$4.4 million. The significant changes in revenue primarily include growth of \$26.6 million in state and federal aid primarily from Medi-Cal and Medicare offset by anticipated reductions of \$20.0 million in current services from private pay patients and insurance. Additionally, the Realignment contribution for ARMC operations is decreasing by \$2.7 million.

The budget units that comprise Solid Waste Management decreased revenues by \$14.9 million. Of this reduction, revenues in the Operations budget unit are decreasing by a total of \$12.4 million, of which the most significant reductions include \$5.5 million in state and federal funding for the October 2007 Fires Debris Removal Program and \$6.3 million in refuse revenues due to an industry-wide downturn in the actual amount of land filled waste.

TOTAL REVENUE AND OTHER FINANCING SOURCES

| | Restated Fiscal Year 2007-08 Final Budget | Fiscal Year 2008-09 Final Budget | Fiscal Year 2009-10 Final Budget |
|--|--|--|--|
| <u>Revenue</u> | | | |
| Property Related Revenue | 481,258,182 | 503,659,199 | 478,598,414 |
| Other Taxes | 199,525,634 | 188,210,404 | 157,520,772 |
| State and Federal Aid | 1,630,152,790 | 1,728,033,224 | 1,794,143,341 |
| Charges for Current Services | 611,222,886 | 524,868,984 | 517,031,988 |
| Other Revenue | 154,855,806 | 170,837,938 | 140,276,990 |
| Total Revenue | 3,077,015,298 | 3,115,609,749 | 3,087,571,505 |
| <u>Other Financing Sources</u> | | | |
| Operating Transfers In | 214,315,375 | 221,274,513 | 236,889,828 |
| Fund Balance/Net Assets | 383,609,334 | 422,517,290 | 470,492,880 |
| General Fund Unreserved Fund Balance | 56,425,431 | 77,342,818 | 46,190,296 |
| Use of Reserves | 2,688,000 | 4,096,300 | 1,992,545 |
| Contributions to Reserves | (14,544,909) | (7,481,825) | (2,000,000) |
| Total Other Financing Sources | 642,493,231 | 717,749,096 | 753,565,549 |
| Total Revenue and Other Financing Sources | 3,719,508,529 | 3,833,358,845 | 3,841,137,054 |

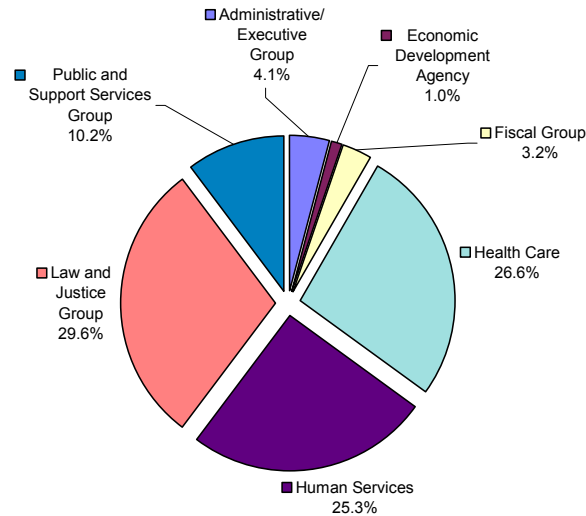
The revenue and other financing sources schedule above includes all county funds. This schedule includes operating transfers in, which are the mechanism for providing financing from one budget unit to another within the County. Additionally, this schedule summary provides the fund balance/net assets of all non-general funds, the general fund's unreserved fund balance, as well as, the use of, and the contributions to the County's reserves as designated in the financing plan.



BUDGETED STAFFING SUMMARY

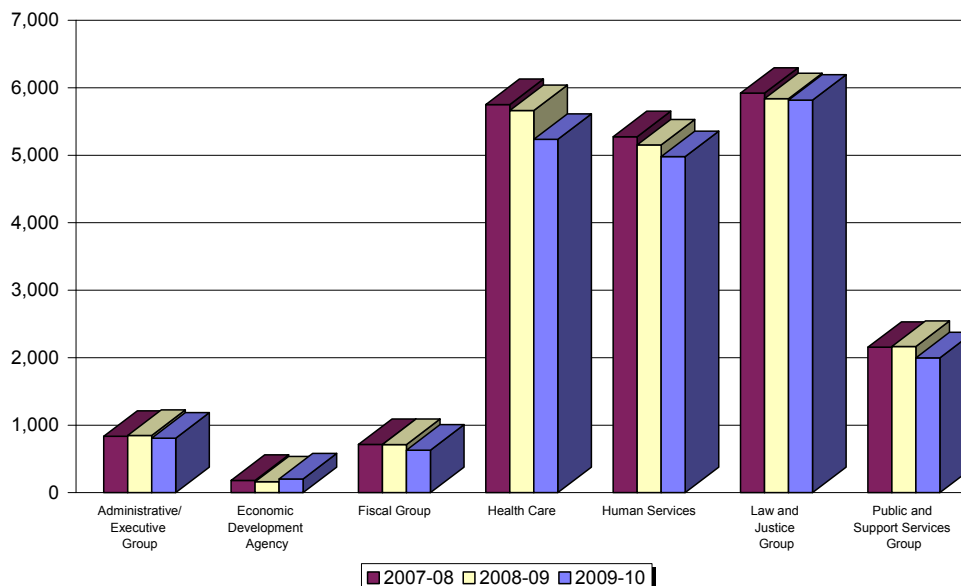
Beginning in 2009-10, budgeted staffing is accounted for using headcount; each position, whether full time or part time, is counted as one. All prior year budgeted staffing counts have been restated for comparative purposes. The graph below depicts the budgeted staffing by group / agency for the current fiscal year. The following graph illustrates the budgeted staffing for the current as well as the prior two fiscal years.

**Budgeted Staffing By Group / Agency
2009-10 Fiscal Year**



Percentages may not add to 100% due to rounding.

**Budgeted Staffing By Group / Agency
2007-08 Through 2009-10 Fiscal Years**



| | Change from Previous Year | | | | |
|--------------|---------------------------------|---|-----------------------|-----------------|---------------------------------|
| | 2008-09 Budgeted Staffing | Caseload Driven/ Grant or Special Funded Programs | All Other Programs | Total Change | 2009-10 Budgeted Staffing |
| General Fund | 14,436 | (340) | (233) | (573) | 13,863 |
| Other Funds | 6,103 | (296) | - | (296) | 5,807 |
| Total | 20,539 | (636) | (233) | (869) | 19,670 |

Budgeted staffing for caseload driven/grant, or special funded programs, decreased by a net overall 636 positions. Significant changes from the previous year in caseload driven, grant or special funded programs include the following:

General Fund

- **Health Care Administration** decreased budgeted staffing by 22 positions due to the transfer of Inland Counties Emergency Medical Agency positions into a new budget unit created for this agency.
- **Behavioral Health** decreased budgeted staffing by a net 32 positions. This decrease is comprised of the deletion of 68 vacant positions, the transfer of 31 positions from the **Alcohol and Drug Services Program**, and the addition of 5 new positions to provide administrative support for new Mental Health Services Act programs. **Alcohol and Drug Services Program** decreased by a total of 34 positions, of which 31 were transferred as mentioned above and 3 vacant positions were deleted.
- **Public Health** decreased budgeted staffing by a net 40 positions. This decrease is the result of deleting 41 vacant positions, transferring 5 graphic designer positions to Purchasing, and the addition of 5 new positions to assist with the integration of the three health departments, and the addition of 1 Equine Coordinator to support the Preventive Veterinary Division. The department's **California Children's Services (CCS)** budget unit reduced budgeted staffing by a net 29 positions, of which 30 vacant positions were deleted and 1 new CCS Physician Consultant II position was added in order to provide the required level of medical oversight for the program.
- **Aging and Adult Services – Aging Program** budgeted staffing decreased by a net 65 positions. This decrease is primarily the result of removing 55 Community Service Employment Program training positions from budgeted staffing and placing the associated costs in a line item in salaries and benefits to provide a more accurate account of actual positions involved with departmental operations. Additionally the department added 4 positions that were approved midyear and deleted 14 vacant positions.
- **Human Services Administrative Claim** had a net reduction of 92 budgeted positions. This change is the result of additions and deletions within the various social services programs as follows: Transitional Assistance Department added 55 positions due to caseload and reduced 25; Children and Family Services added 17 positions that will enhance services to children in foster care and provide better administrative oversight and deleted 61 positions; the Department of Aging and Adult Services added 1 supervising social worker position and deleted 8 other positions; the administrative support function increased by 12 positions and deleted 83 due to organizational adjustments.
- **District Attorney – Criminal Prosecution** decreased a net 12 budgeted positions in the caseload driven, grant or special funded programs category. Grant reductions to the COPS, Cal-MMET and Street Enforcement grants resulted in a decrease of 16 positions; however, these were offset by the addition of 4 caseload related positions for the courtrooms.



- **Probation – Administration, Corrections and Detention** has seen a net decrease of 54 budgeted positions in the caseload driven, grant or special funded programs category primarily due to the deletion of 21 positions associated with required salary reductions, 5 positions resulting from declining Proposition 172 sales tax funding, 2 positions from discontinued state Mentally Ill Offender Crime Reduction grant funding, and 15 positions related to a reduction in Federal Title IV-E funding. In addition, the department deleted 12 positions as a result of the department not distributing an across the board vacancy factor in 2009-10 at the same rate it was distributed in 2008-09. These decreases were partially offset by a net increase of 1 position related to additional grant funds received by the department. **Probation – Juvenile Justice Grant Program** increased budgeted staffing by 37 positions. These positions were transferred from the department's special revenue fund, **Juvenile Justice Grant Program**.
- **Public Defender** increased budgeted staffing by 18 positions in the caseload driven, grant or special funded programs category. The caseload deems these increases necessary for defense of their clients and includes 6 investigator positions that were inadvertently deleted in 2008-09, a Public Defender Interviewer, 10 law clerk positions, and a contract social service practitioner position for the department's juvenile division.
- **Sheriff-Coroner** has seen an increase of 29 budgeted positions in the caseload driven, grant or special funded programs category due to the addition of 29 positions approved by the Board of Supervisors associated with city and court contracts (15), a new Electronic Monitoring Program (8), additional grant funds (3), the CAL-ID Program (2), and Proposition 69 funds (1).

Other Funds

- **Workforce Development** budgeted staffing increased by 56 positions. This increase is the result of the transfer of 13 positions from Economic Development and the addition of 43 new positions, 40 of which are limited-term positions added to perform activities associated with the one-time funding received from the Americans Recovery and Reinvestment Act.
- **Arrowhead Regional Medical Center (ARMC)** had a net decrease of 269 budgeted positions. This reduction is comprised of the deletion of vacant regular positions, coupled with the elimination of various extra-help and contract positions. ARMC conducted a comprehensive review of all departmental positions and revised its staffing structure for 2009-10 with the intent of becoming more efficient while continuing to maintain State mandated staffing ratios.
- **Probation – Juvenile Justice Grant Program** special revenue fund decreased by 43 budgeted positions. Thirty-seven of these positions were transferred into the department's general fund, **Probation – Juvenile Justice Grant Program**. The remaining reduction of 6 positions resulted from a restructuring of the department's House Arrest Program.

Budgeted staffing for all other programs decreased by a net overall 233 positions. Significant changes from the previous year in all other programs include the following:

General Fund

- **Assessor** decreased by 50 budgeted positions as a result of the midyear 8% reduction for 2008-09 and the removal of the Property Tax Administration Program general fund backfill. Of these 50 positions deleted, 37 were vacant and the staff in the remaining positions were transferred to other county departments.
- **Auditor/Controller-Recorder** decreased by a net 34 budgeted positions. Midyear changes include the addition of 1 position to provide services to the C-IV JPA, as well as the restoration of 9 positions removed from the prior year budget and the deletion of 20 vacant positions associated with the midyear 8% reduction for 2008-09. In addition, 2 positions were transferred to special revenue funds and another 22 vacant positions were deleted due to the 2009-10 budget mitigations which were a second 8% reduction and a salary reduction.
- **District Attorney – Criminal Prosecution** budgeted staffing decreased by 9 positions that were not related to caseload or grant driven. Due to declining Prop 172 sales tax funding, 9 positions were deleted.
- **Public Defender** experienced an increase of 19 budgeted positions that were not related to caseload or grant driven. The vast majority of these positions are associated with the department's imaging project.
- **Sheriff-Coroner** has seen a net decrease of 6 budgeted positions that were not related to caseload or grant driven. The department deleted 28 positions associated with required salary reductions. This decrease is partially offset by the increase of 19 part-time PSE and Safety Unit Extra Help positions in order to perform duties that are temporary or do not require a full time worker and 3 positions (2 Sheriff Public Information Officers and 1 Deputy Sheriff) approved by the Board of Supervisors as part of a mid-year Board item to reinstate positions removed from the department's 2008-09 final budget.
- **Facilities Management** decreased budgeted staffing by 27 positions. These reductions were a combination of the midyear 8% reduction for 2008-09, the 2009-10 budget mitigations which were a second 8% reduction and a salary reduction, and the elimination of the Home Repair program. Of these 27 positions deleted, 13 were vacant and the staff in the remaining positions either retired or were transferred to other county departments.
- **Land Use Services** decreased budgeted staffing by a total of 44 positions as a result of the various mitigation measures, coupled with the downturn in the economy and its direct impact on the building industry. The department's breakdown by budget unit includes 1 in **Administration**, 4 in **Current Planning**, 3 in **Advance Planning**, 28 in **Building and Safety**, and 8 in **Code Enforcement**. Of these 44 positions deleted, 38 were vacant and the staff in the remaining positions were transferred to other county departments.

Countywide staffing changes are outlined by county department in the following chart:

BUDGETED STAFFING SUMMARY

| Department | 2007-08 Final Budget | 2008-09 Final Budget | 2009-10 Final Budget | Change Between 2008-09 & 2009-10 |
|---|----------------------------|----------------------------|----------------------------|---|
| ADMINISTRATIVE/EXECUTIVE GROUP | | | | |
| <u>GENERAL FUND</u> | | | | |
| BOARD OF SUPERVISORS | 68 | 70 | 67 | (3) |
| BOARD OF SUPERVISORS - LEGISLATION | 5 | 5 | - | (5) |
| CLERK OF THE BOARD | 16 | 16 | 17 | 1 |
| COUNTY ADMINISTRATIVE OFFICE | 25 | 26 | 31 | 5 |
| COUNTY ADMINISTRATIVE OFFICE - FRANCHISE ADMINISTRATION | 3 | - | - | - |
| COUNTY COUNSEL | 74 | 77 | 77 | - |
| HUMAN RESOURCES | 103 | 103 | 98 | (5) |
| HUMAN RESOURCES - THE CENTER FOR EMPLOYEE HEALTH AND WELLNESS | 19 | 19 | 14 | (5) |
| INFORMATION SERVICES - APPLICATION DEVELOPMENT | 107 | 107 | 100 | (7) |
| PURCHASING | 15 | 18 | 16 | (2) |
| SUBTOTAL GENERAL FUND | 435 | 441 | 420 | (21) |
| <u>OTHER FUNDS</u> | | | | |
| HUMAN RESOURCES - COMMUTER SERVICES | 3 | 3 | 3 | - |
| HUMAN RESOURCES - EMPLOYEE BENEFITS AND SERVICES | 32 | 32 | 29 | (3) |
| INFORMATION SERVICES - COMPUTER OPERATIONS | 131 | 135 | 131 | (4) |
| INFORMATION SERVICES - TELECOMMUNICATIONS SERVICES | 109 | 112 | 105 | (7) |
| PURCHASING - PRINTING SERVICES | 18 | 19 | 21 | 2 |
| PURCHASING - SURPLUS PROPERTY AND STORAGE OPERATIONS | 5 | 3 | 2 | (1) |
| PURCHASING - MAIL/COURIER SERVICES | 30 | 29 | 28 | (1) |
| RISK MANAGEMENT - OPERATIONS | 72 | 73 | 69 | (4) |
| SUBTOTAL OTHER FUNDS | 400 | 406 | 388 | (18) |
| TOTAL ADMINISTRATIVE/EXECUTIVE GROUP | 835 | 847 | 808 | (39) |
| ECONOMIC DEVELOPMENT AGENCY | | | | |
| <u>GENERAL FUND</u> | | | | |
| ECONOMIC DEVELOPMENT | 48 | 45 | 30 | (15) |
| SUBTOTAL GENERAL FUND | 48 | 45 | 30 | (15) |
| <u>OTHER FUNDS</u> | | | | |
| COMMUNITY DEVELOPMENT AND HOUSING | 50 | 38 | 40 | 2 |
| WORKFORCE DEVELOPMENT | 84 | 77 | 133 | 56 |
| SUBTOTAL OTHER FUNDS | 134 | 115 | 173 | 58 |
| TOTAL ECONOMIC DEVELOPMENT AGENCY | 182 | 160 | 203 | 43 |
| FISCAL GROUP | | | | |
| <u>GENERAL FUND</u> | | | | |
| ASSESSOR | 207 | 228 | 178 | (50) |
| AUDITOR/CONTROLLER-RECORDER | 243 | 242 | 208 | (34) |
| TREASURER-TAX COLLECTOR/PUBLIC ADMINISTRATOR | 213 | 213 | 206 | (7) |
| SUBTOTAL GENERAL FUND | 663 | 683 | 592 | (91) |
| <u>OTHER FUNDS</u> | | | | |
| ASSESSOR - STATE/COUNTY PROPERTY TAX ADMINISTRATION PROGRAM | 29 | - | - | - |
| AUDITOR/CONTROLLER-RECORDER - SYSTEMS DEVELOPMENT | 20 | 29 | 35 | 6 |
| AUDITOR/CONTROLLER-RECORDER - RECORDER RECORDS | 1 | 1 | 4 | 3 |
| AUDITOR/CONTROLLER-RECORDER - ELECTRONIC RECORDING | 1 | - | - | - |
| SUBTOTAL OTHER FUNDS | 51 | 30 | 39 | 9 |
| TOTAL FISCAL GROUP | 714 | 713 | 631 | (82) |



BUDGETED STAFFING SUMMARY

| Department | 2007-08 Final Budget | 2008-09 Final Budget | 2009-10 Final Budget | Change Between 2008-09 & 2009-10 |
|--|----------------------------|----------------------------|----------------------------|---|
| HEALTH CARE | | | | |
| <u>GENERAL FUND</u> | | | | |
| HEALTH CARE ADMINISTRATION | 21 | 23 | 1 | (22) |
| BEHAVIORAL HEALTH | 900 | 931 | 899 | (32) |
| BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES | 96 | 95 | 61 | (34) |
| PUBLIC HEALTH | 961 | 903 | 863 | (40) |
| PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES | 186 | 186 | 157 | (29) |
| SUBTOTAL GENERAL FUND | 2,164 | 2,138 | 1,981 | (157) |
| <u>OTHER FUNDS</u> | | | | |
| ARROWHEAD REGIONAL MEDICAL CENTER | 3,587 | 3,524 | 3,255 | (269) |
| SUBTOTAL OTHER FUNDS | 3,587 | 3,524 | 3,255 | (269) |
| TOTAL HEALTH CARE | 5,751 | 5,662 | 5,236 | (426) |
| HUMAN SERVICES | | | | |
| <u>GENERAL FUND</u> | | | | |
| AGING AND ADULT SERVICES - AGING PROGRAM | 251 | 117 | 52 | (65) |
| AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR | 30 | 29 | 27 | (2) |
| CHILD SUPPORT SERVICES | 510 | 475 | 464 | (11) |
| HUMAN SERVICES - ADMINISTRATIVE CLAIM | 3,751 | 3,762 | 3,670 | (92) |
| VETERANS AFFAIRS | 18 | 18 | 18 | - |
| SUBTOTAL GENERAL FUND | 4,560 | 4,401 | 4,231 | (170) |
| <u>OTHER FUNDS</u> | | | | |
| PRESCHOOL SERVICES | 714 | 751 | 748 | (3) |
| SUBTOTAL OTHER FUNDS | 714 | 751 | 748 | (3) |
| TOTAL HUMAN SERVICES | 5,274 | 5,152 | 4,979 | (173) |
| LAW AND JUSTICE GROUP | | | | |
| <u>GENERAL FUND</u> | | | | |
| DISTRICT ATTORNEY - CRIMINAL PROSECUTION | 515 | 547 | 526 | (21) |
| DISTRICT ATTORNEY - CHILD ABDUCTION AND RECOVERY | 6 | - | - | - |
| LAW AND JUSTICE GROUP ADMINISTRATION | 1 | 1 | 1 | - |
| PROBATION - ADMIN, CORRECTIONS & DETENTION | 1,296 | 1,276 | 1,222 | (54) |
| PROBATION - JUVENILE JUSTICE GRANT PROGRAM | - | - | 37 | 37 |
| PUBLIC DEFENDER | 254 | 247 | 284 | 37 |
| SHERIFF-CORONER | 3,668 | 3,633 | 3,656 | 23 |
| SUBTOTAL GENERAL FUND | 5,740 | 5,704 | 5,726 | 22 |
| <u>OTHER FUNDS</u> | | | | |
| DISTRICT ATTORNEY - SPECIAL REVENUE | 28 | - | - | - |
| PROBATION - JUVENILE JUSTICE GRANT PROGRAM (SR) | 55 | 43 | - | (43) |
| SHERIFF-CORONER - SPECIAL REVENUE | 96 | 90 | 90 | - |
| SUBTOTAL OTHER FUNDS | 179 | 133 | 90 | (43) |
| TOTAL LAW AND JUSTICE GROUP | 5,919 | 5,837 | 5,816 | (21) |



BUDGETED STAFFING SUMMARY

| Department | 2007-08 Final Budget | 2008-09 Final Budget | 2009-10 Final Budget | Change Between 2008-09 & 2009-10 |
|--|----------------------------|----------------------------|----------------------------|---|
| PUBLIC AND SUPPORT SERVICES GROUP | | | | |
| <u>GENERAL FUND</u> | | | | |
| PUBLIC AND SUPPORT SERVICES GROUP ADMINISTRATION | 10 | 10 | - | (10) |
| AGRICULTURE/WEIGHTS AND MEASURES | 70 | 70 | 65 | (5) |
| AIRPORTS | 31 | 32 | 31 | (1) |
| ARCHITECTURE AND ENGINEERING | 28 | 30 | 24 | (6) |
| COUNTY MUSEUM | 66 | 60 | 55 | (5) |
| FACILITIES MANAGEMENT | 160 | 149 | 122 | (27) |
| FACILITIES MANAGEMENT - UTILITIES | 1 | 1 | 1 | - |
| LAND USE SERVICES - ADMINISTRATION | 12 | 12 | 11 | (1) |
| LAND USE SERVICES - CURRENT PLANNING | 34 | 34 | 30 | (4) |
| LAND USE SERVICES - ADVANCE PLANNING | 18 | 18 | 15 | (3) |
| LAND USE SERVICES - BUILDING AND SAFETY | 99 | 99 | 71 | (28) |
| LAND USE SERVICES - CODE ENFORCEMENT | 41 | 41 | 33 | (8) |
| LAND USE SERVICES - FIRE HAZARD ABATEMENT | 22 | 22 | 22 | - |
| PUBLIC WORKS - SURVEYOR | 47 | 47 | 41 | (6) |
| REAL ESTATE SERVICES | 24 | 24 | 20 | (4) |
| REGIONAL PARKS | 326 | 328 | 307 | (21) |
| REGISTRAR OF VOTERS | 47 | 47 | 35 | (12) |
| SUBTOTAL GENERAL FUND | 1,036 | 1,024 | 883 | (141) |
| <u>OTHER FUNDS</u> | | | | |
| COUNTY LIBRARY | 450 | 474 | 461 | (13) |
| COUNTY MUSEUM - MUSEUM STORE | 3 | 2 | 4 | 2 |
| FLEET MANAGEMENT - GARAGE | 95 | 96 | 86 | (10) |
| FLEET MANAGEMENT - MOTOR POOL | 4 | 4 | 4 | - |
| PUBLIC WORKS - TRANSPORTATION - ROAD OPERATIONS | 450 | 455 | 444 | (11) |
| PUBLIC WORKS - SOLID WASTE MANAGEMENT - OPERATIONS | 98 | 103 | 103 | - |
| REGIONAL PARKS - CALICO GHOST TOWN MARKETING SVCS | 2 | 2 | 2 | - |
| REGIONAL PARKS - SNACK BARS | 7 | 3 | 3 | - |
| REGIONAL PARKS - ACTIVE OUTDOORS | 9 | 5 | 7 | 2 |
| SUBTOTAL OTHER FUNDS | 1,118 | 1,144 | 1,114 | (30) |
| TOTAL PUBLIC AND SUPPORT SERVICES GROUP | 2,154 | 2,168 | 1,997 | (171) |
| TOTAL COUNTY DEPARTMENTS - GENERAL FUND | 14,646 | 14,436 | 13,863 | (573) |
| TOTAL COUNTY DEPARTMENTS - OTHER FUNDS | 6,183 | 6,103 | 5,807 | (296) |
| COUNTY DEPARTMENTS GRAND TOTAL | 20,829 | 20,539 | 19,670 | (869) |



CAPITAL IMPROVEMENT PROGRAM

The County's Capital Improvement Program includes construction, rehabilitation and repair projects for numerous facilities and structures.

The capital project funds listed in the appropriation summary schedules in this Budget Summary and presented in the schedule below represent those managed by the Architecture and Engineering Department and accounted for in the following funds: CJV, CMV and CJY. These schedules do not include operating transfers out.

Capital Project Funds

| | Nbr of Projects | General Fund Local Cost | Other Discretionary Funding | Restricted Funding | Total |
|-------------------------------------|--------------------|----------------------------|-----------------------------------|-----------------------|--------------------|
| <u>New Projects</u> | | | | | |
| Fund CJV | | | | | |
| Contributions to Other Agencies | 3 | 741,500 | | | 741,500 |
| Inter-Fund Contributions | 1 | | | 500,000 | 500,000 |
| Structures and Improvements | 25 | 16,441,600 | 85,000 | 676,000 | 17,202,600 |
| Available Funding Unprogrammed | | 955,500 | | | 955,500 |
| <i>Total CJV New Projects</i> | 29 | 18,138,600 | 85,000 | 1,176,000 | 19,399,600 |
| <u>Carryover Projects</u> | | | | | |
| Fund CJV | | | | | |
| Contributions to Other Agencies | 8 | 4,646,769 | | | 4,646,769 |
| Inter-Fund Contributions | 5 | | | 754,481 | 754,481 |
| Land | 1 | 381,000 | | | 381,000 |
| Structures and Improvements | 118 | 62,591,629 | 12,343,853 | 5,288,862 | 80,224,344 |
| <i>Total CJV Carryover Projects</i> | 132 | 67,619,398 | 12,343,853 | 6,043,343 | 86,006,594 |
| Fund CMV | | | | | |
| Structures and Improvements | 1 | 58,913,246 | | | 58,913,246 |
| Fund CJY | | | | | |
| Contributions to Non-Owned Projects | 1 | 900,000 | | | 900,000 |
| <i>Total Carryover Projects</i> | 134 | 127,432,644 | 12,343,853 | 6,043,343 | 145,819,840 |
| Total Capital Project Funds | 163 | 145,571,244 | 12,428,853 | 7,219,343 | 165,219,440 |

In the 2009-10 final budget, \$19,399,600 in new projects are funded, primarily using county discretionary funds. Major projects include additional funding of \$5.5 million for the construction of a new office building in Joshua Tree, \$2.9 million for construction of a new fire station in Angeles Oaks, and \$2.3 million for tenant improvements for Chaffey College Aeronautics Division at the Chino Airport.

Projects approved in prior years but not yet completed total an additional \$86,006,594. The major carryover projects are the new Central Juvenile Hall facility on Gilbert Street in San Bernardino, the seismic retrofit and remodel of the historic Central Courthouse and Annex in San Bernardino, the development of the High Desert Government Center in Hesperia, the Fontana Courthouse expansion and remodel, and a new community library in Crestline.

The County has several other capital projects that are accounted for in various special revenue funds belonging to the respective project departments, such as Airports, Regional Parks, and the Department of Public Works Solid Waste Management and Transportation Divisions. Additionally, there are three enterprise funds, which are part of the Arrowhead Regional Medical Center (ARMC), that are used for capital projects of ARMC.

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program section of this budget book.



GENERAL FUND FINANCING

County general fund operations are financed with four major types of financing sources: departmental revenue, Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue.

Departmental revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health. Proposition 172 revenue is restricted and is used solely for financing the Sheriff-Coroner, District Attorney, and Probation departments. Realignment revenue is also restricted and used in financing mental health, social services and health programs within the County.

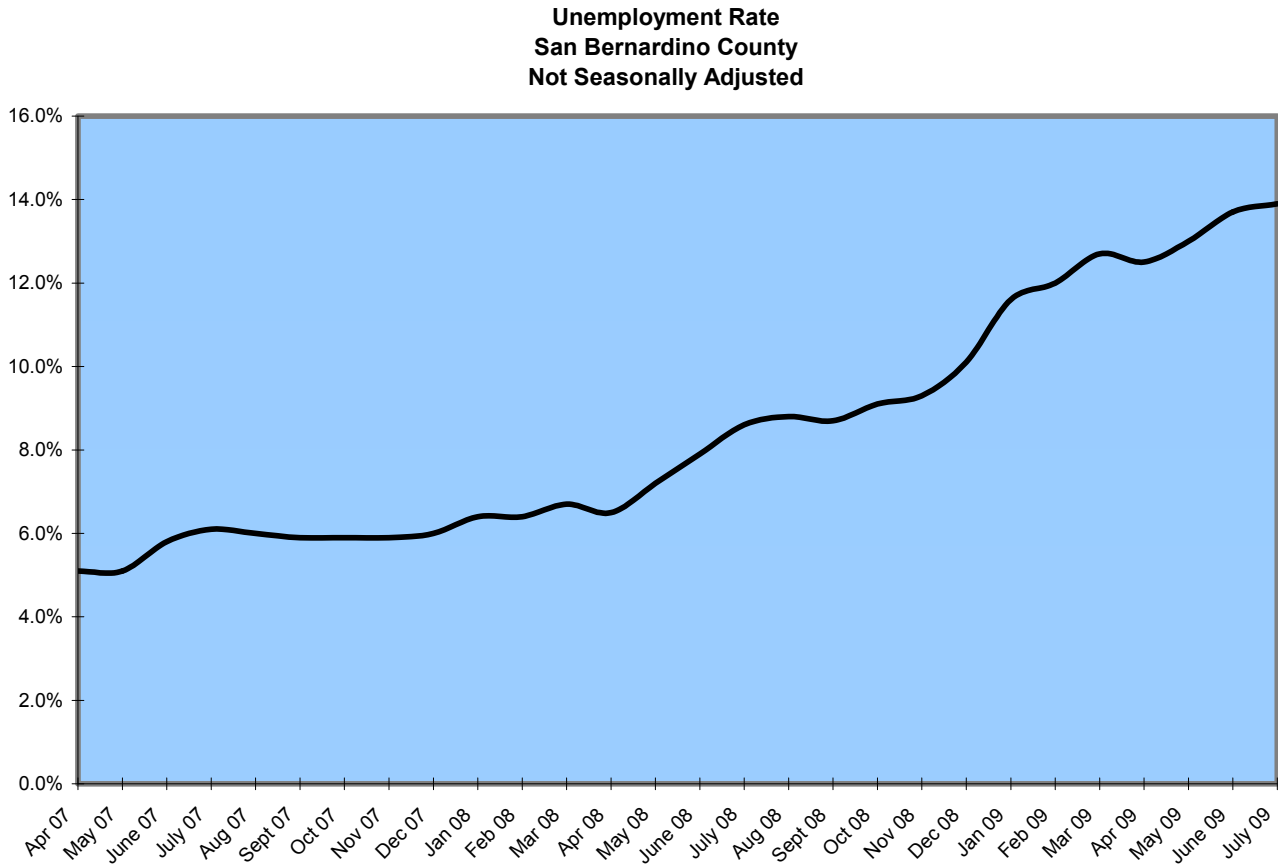
The balance of departmental costs not funded by departmental revenue, Proposition 172 revenue, and/or Realignment revenue is considered local cost or general fund financing. Local cost is funded by countywide discretionary revenue, which is primarily property tax revenue.

Any countywide discretionary revenue not distributed to departments through their local cost allocation is placed in contingencies. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes: 1) to ensure that the county can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county; and 2) to be proactive and set aside funds to meet future known obligations or to build a reserve for large capital projects.

The following sections provide details of the economic indicators that are factored into the County's financing plan and how these indicators affect the general fund financing comprised of Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue. Furthermore, detailed information is included on the contributions and uses of county general fund contingencies and reserves for 2008-09 and the proposed contributions and uses of general fund contingencies and reserves for 2009-10.

ECONOMIC INDICATORS

San Bernardino County and its residents are being severely impacted by the current economic condition. As shown in the following chart, the County's unemployment rate has increased dramatically over the last 2 years. For July 2009, the County's unemployment rate is 13.9%. This compares to a rate of 9.4% at the national level and 11.9% for the State of California.



Factors in local unemployment include the dramatic decline in the housing market which has affected jobs in sectors like construction, construction-related manufacturing, retailing, consumer services, escrow, title and real estate. The economic crisis has also contributed to steep declines in retail spending.

As a result of the economic downturn, projections for certain general fund revenues have decreased dramatically. For more information see the sections titled 'Proposition 172' and 'Property Related Revenues and the Housing Market' found later in this section of the budget book.

STATE OF CALIFORNIA'S BUDGET

At the expense of local government, state lawmakers closed a \$26.3 billion budget gap through various cost shifts, budget cuts, and payment deferrals. The 2009-10 budget included borrowing \$1.9 billion from local governments by suspending Proposition 1A as well as "raiding" \$1.7 billion from redevelopment agencies in fiscal year 2009-10 and another \$350 million in fiscal year 2010-11. Payment deferrals, funding reductions, and the elimination of programs will have a significant impact on the ability of counties, cities and special districts to provide services to residents of California. Below is a summary of how the State's budget impacted the County of San Bernardino.

Human Services (\$42.3 Million)

Human Services has a \$21.4 million reduction to CalWORKs administration and programs, \$7 million reduction to Child Welfare Services, \$6.3 million to the Medi-Cal program and \$7.6 million to the In-Home Supportive Services and Public Authority programs.

Health (\$22.2 Million)

Arrowhead Regional Medical Center (County Hospital) has a \$2.63 million reduction due to elimination of payment for over-the-counter drugs in Medi-Cal and reduction of the Healthy Families Program.

Public Health has a \$4.13 million reduction due to the suspension of Animal Control and Perinatal mandated programs, reduction of Mental Health Managed Care Services, EPSDT, Healthy Families and AIDS programs and the elimination of Maternal, Child, Adolescent Health and State Only Medi-Cal programs.

Behavioral Health has a \$15.43 million reduction due to the suspension of Handicap & Disabled Students mandated programs, reduction of Managed Care and Healthy Families programs and the elimination of Proposition 36 funding.

Public Safety (\$5.5 Million)

Probation Department has a \$1.7 million impact as a result of the State's decision to eliminate Proposition 36 funding.

Sheriff-Coroner has a \$1.8 million impact as a result of the reduction in the Court Security MOUs.

District Attorney has a \$1.0 million reduction in funding (Victim Rights) due to SB 90 suspensions.

Public Defender has a \$1.0 million reduction in funding (MDO PC or Treatment as a Condition of Parole) due to SB 90 suspensions.

Other (\$37.9 Million)

The Suspension of Proposition 1A is expected to be \$34.0 million. The proposition is intended to protect revenues collected by local governments (cities, counties, and special districts) from being transferred to the California state government for statewide use. The provisions have been suspended since the governor declared a fiscal necessity with two-thirds of the California State Legislature approving the suspension.

Redevelopment Agency has an impact of \$3.9 million for 2009-10. In addition, another \$350 million statewide taken in 2010-11, equating to an additional \$800,000 loss to the county.

Deferrals (\$80.1 Million)

Department of Public Works has a \$12.5 million impact as a result of the Highway Users Tax Account (HUTA) deferral and a \$7.0 million impact from the Proposition 42 deferral. The State is expected to pay back the HUTA deferrals sometime after January 10, 2010 (no date certain). The budget also defers the first two Proposition 42 quarterly payments (October 2009 and January 2010) to counties until May 2010.

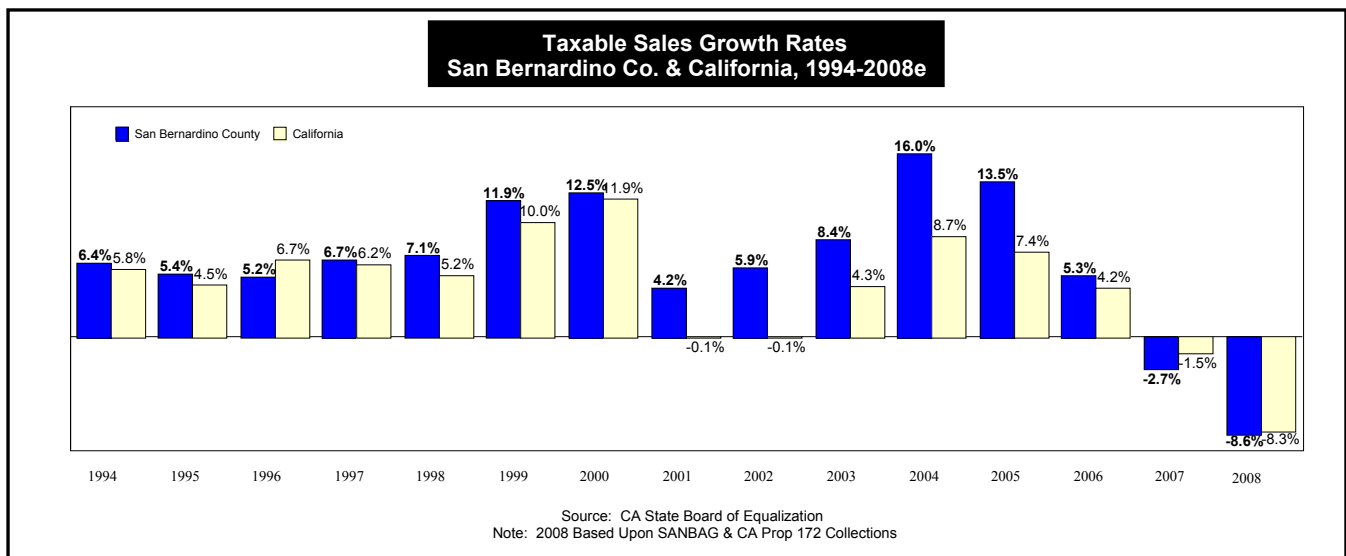
Behavioral Health has a \$600,000 impact due to AB 3632 being deferred for 11 months.

Human Services has a \$60.0 million impact as a result of the Administration's deferral of welfare and other various social service programs. The deferral is expected to be over a 2-month period.

PROPOSITION 172

Proposition 172 (Prop 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the state's constitution and required that revenue from the additional one-half percent sales tax be used only for local public safety activities, which include but are not limited to sheriff, police, fire protection, county district attorney, and county corrections. Funding from Prop 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the state property tax shift to the Educational Revenue Augmentation Fund (ERAF).

Since at least 1994, the county's sales tax growth had exceeded California, often by substantial amounts. However, County's taxable sales fell in 2007, off -2.7% compared to a -1.5% for California. Preliminary data shows the County off -8.6% in 2008 due to the recession. The state appears off -8.3%. The difficulty has come about due to the local and state slowdowns caused by declining residential volume and prices.



The one-half percent sales tax imposed by Prop 172 is collected by the state and apportioned to each county based on its proportionate share of statewide taxable sales. In accordance with Government Code 30055, of the total Prop 172 revenue allocated to San Bernardino County, 5% is distributed to cities affected by the property tax shift and 95% remains within the county.

On August 22, 1995, the County of San Bernardino Board of Supervisors approved the recommendation that defined the following departments as the public safety services designated to receive the county's 95% share of Prop 172 revenue, consistent with Government Code Section 30052 and authorized the Auditor/Controller-Recorder to deposit the County's portion of the Prop 172 revenue as follows:

- Sheriff-Coroner 70.0%
- District Attorney 17.5%
- Probation 12.5%

Prop 172 revenue currently represents a significant funding source for the Sheriff-Coroner, District Attorney, and Probation departments. Each year, as part of the budget development process, Prop 172 projections are developed based on staff analysis of revenue trends and forecasts provided by an outside economist.

Growth in Prop 172 revenue is used first to finance mandated cost increases in these departments, including MOU adjustments, retirement, worker's compensation and insurance. In most years, the mandated cost increases consume the vast majority of Prop 172 revenue growth and all Prop 172 revenue is distributed to the designated departments to maintain current level of service. However, in 2008-09 and 2009-10 the County is expected to realize a reduction in Prop 172 revenue.

On February 13, 2007, the Board of Supervisors approved a policy which requires the County to maintain an appropriation for contingency for Prop 172 funds targeted at no less than 10% of the current year's budgeted Prop 172 revenue. This 10% contingency was created to ensure funding for these public safety departments should the county experience Prop 172 revenue shortfalls in the future. These contingencies will be maintained for each respective department within the Prop 172 restricted general fund.

In some budget years, Prop 172 revenue exceeds budgeted amounts and is considered excess Prop 172 revenue. All excess Prop 172 revenue is set aside in a restricted general fund by department to adhere to the Prop 172 policy.

In 2009-10 the Sheriff-Coroner, District Attorney and Probation Departments have accumulated the necessary funds to meet the 10% contingency requirement. This was achieved as a result of the decline in Prop 172 revenue.

The chart below illustrates the beginning and ending fund balance of this restricted general fund for 2009-10 as well as projected 2009-10 revenue, including interest.

| | Beginning Fund Balance | 2009-10 Budgeted Revenue | 2009-10 Budgeted Departmental Usage | Estimated Ending Fund Balance | 10% Contingency Target | Excess/(Shortfall) in Contingency Target |
|--------------------------|-----------------------------------|---|--|--|-----------------------------------|---|
| Sheriff-Coroner | 9,852,132 | 90,810,000 | (90,250,000) | 10,412,132 | 9,081,000 | 1,331,132 |
| District Attorney | 3,787,927 | 22,977,500 | (22,837,500) | 3,927,927 | 2,297,750 | 1,630,177 |
| Probation | 3,828,262 | 16,412,500 | (16,312,500) | 3,928,262 | 1,641,250 | 2,287,012 |
| Total | 17,468,321 | 130,200,000 | (129,400,000) | 18,268,321 | 13,020,000 | 5,248,321 |

In 2008-09, the County's Prop 172 sales tax revenue is anticipated to decline by approximately 13%. The County's Prop 172 sales tax revenue for 2009-10 is anticipated to further decline, resulting in a decrease of 3% from the 2008-09 estimate.

Prop 172 budgeted revenue and interest for all three departments in 2009-10 is projected to be \$130.2 million (\$129.4 million in Prop 172 receipts and \$0.8 million in interest revenue). Prop 172 revenue is estimated at a 16% decline in 2009-10 from the 2008-09 budget of \$153.4 million. The applicable department's budgeted appropriation in 2009-10 is \$129.4 million. Interest earned will stay in this restricted general fund by department.

REALIGNMENT

In 1991 the state shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a ½ cent Sales Tax and 24.33% of Vehicle License Fee (VLF) revenues made available by a change in the depreciation schedule for vehicles. Pursuant to SB 1096, Chapter 21, Statutes of 2004, the Vehicle License Fee was reduced from 2.0% of the market value of a vehicle to 0.65% of the market value. SB 1096 also changed the percentage of the VLF revenue allocated to Realignment from 24.33% to 74.9%. This change did not result in increased VLF revenues to Realignment, but simply reflects the same funding amount expressed as a percentage of the reduced revenue collected. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide Realignment revenues.

Within the mental health area, the programs which the county is now responsible for are: community-based mental health programs, State Hospital services for county patients, and Institutions for Mental Disease. Within the social services area, the programs which the county is now responsible for are: the county revenue stabilization program and the county justice subvention program. Within the health area, the programs which the county is now responsible for are: AB8 county health services, local health services, medically indigent services, and the county medical services program.

In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. Below are the programs involved in the cost sharing ratio changes (numbers are shown in percentages in the order of state/county shares of cost). For example, prior to Realignment, Foster Care costs were funded by 95% state resources and 5% county resources. Now Foster Care is funded by 40% state resources and 60% county resources, which is a significant impact to the county.

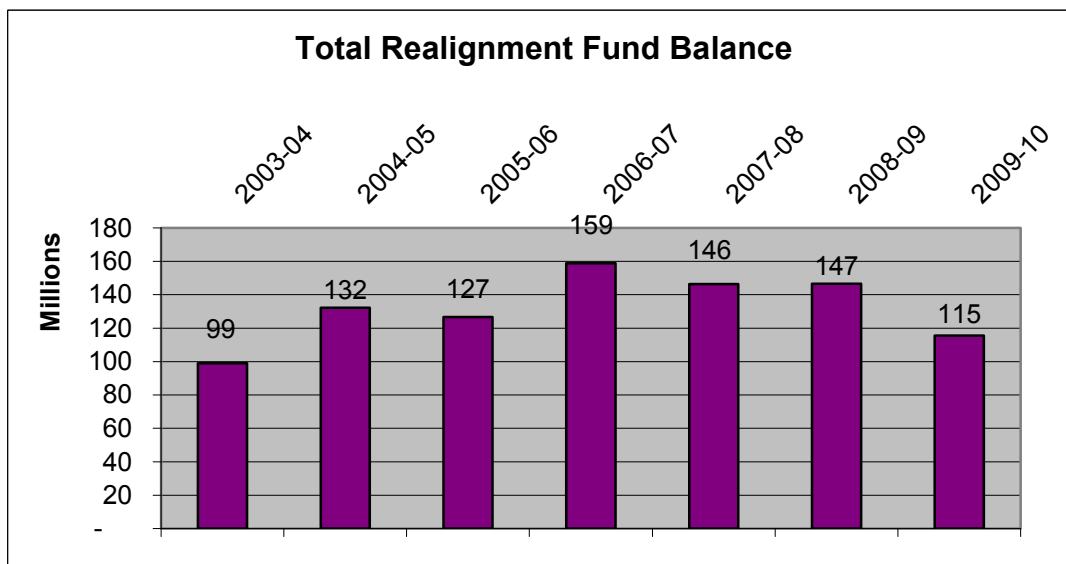
| | From State/County | To State/County |
|------------------------------------|----------------------|--------------------|
| Social Services programs: | | |
| Foster Care | 95/5 | 40/60 |
| Child Welfare Services | 76/24 | 70/30 |
| Adoption Assistance | 100/0 | 75/25 |
| CalWORKs | 89/11 | 95/5 |
| County Services Block Grant | 84/16 | 70/30 |
| Greater Avenues for Independence | 100/0 | 70/30 |
| Social Services administration | 50/50 | 70/30 |
| In Home Supportive Services (IHSS) | 97/3 | 65/35 |
| Health programs: | | |
| California Children's Services | 75/25 | 50/50 |

The Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, San Bernardino County is an "under equity county," meaning that the county receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. Realignment did attempt to address the inequity issue, but the effort fell short. The County continues to be under equity at this time and barring any legislative action, the amount of inequity will increase over time. As growth occurs in the revenue streams, that incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.

In addition to the under equity issue is the fact that the demand for the services the County is providing and the revenue streams funding them are both sensitive to the economy. When the economy does poorly, demand for services is high, but revenues under perform. When the economy is doing well, demand for services is reduced, sales taxes and vehicle license fees revenues are high, and growth in these funding streams is experienced. However, Social Services has priority claim on any sales tax growth received. If the growth is sufficient to cover the increasing Social Services caseload costs, then anything remaining is distributed to the Mental Health and Health realignment funds.

Budgetary Note: Financial information presented in this Realignment budget section is consistent with state reporting requirements for the Realignment funds. The state's reporting requirements are not consistent with the County's implementation of GASB 34 as it relates to revenue accrual. As such, within the County's accounting system, an adjustment will be made to show the correct revenues in accordance with the County's accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing sales tax growth revenue.

The graph below shows the history of fund balance for all Realignment funds.



Fund balances increased significantly from 2003-04 to 2004-05. The increased fund balance in 2004-05 was driven by lower than expected expenditures in Behavioral Health, Probation, ARMC, and Foster Care.

The decrease in 2005-06 is the result of a one-time transfer of funds to ARMC for the remodel of the 6th floor of the hospital, offset by significant sales tax growth revenue of \$15.3 million, or 21%, within the Social Services Fund.

In 2006-07, significant savings occurred due to less than required realignment support for the ARMC debt service and the availability of ARMC construction litigation monies used to fund budgeted ARMC projects. This savings resulted in an increase of \$32.0 million in fund balance.

During 2007-08 an unanticipated increase in departmental usage for Behavioral Health, resulting from unreimbursed Medi-cal and Title XIX EPSDT claims, coupled with sales tax and vehicle license fee revenue base short falls, resulted in a decrease of \$13.0 million in fund balance.

For 2008-09, anticipated revenue shortfalls of 8.5% and 10.3% for sales tax and vehicle license fees, respectively, offset by significant savings in departmental usage resulted in a slight increase in fund balance for the period ending June 30, 2009.

For 2009-10, anticipated revenue shortfalls continue due to the ongoing economic condition, with anticipated shortfalls of 8.0% each for both sales tax and vehicle license fees. As a result of these shortfalls, budgeted departmental expenditures are in excess of budgeted revenues, and will continue to result in lowering Realignment fund balances. Therefore, anticipated departmental expenditure of Realignment funds will be monitored closely, and tailored back where feasible until such time as revenues begin to stabilize.

| Budget History for All Realignment Budget Units | | | | | |
|--|---------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|
| | BUDGET 2007-08 | ACTUAL 2007-08 | BUDGET 2008-09 | ESTIMATE 2008-09 | FINAL 2009-10 |
| Beginning Fund Balance | 161,559,557 | 158,643,573 | 146,236,912 | 146,489,873 | 146,523,662 |
| Revenue | 224,888,389 | 209,300,061 | 218,518,239 | 190,840,441 | 177,003,533 |
| Departmental Usage | 213,757,274 | 221,453,761 | 220,617,336 | 190,806,652 | 208,055,971 |
| Ending Fund Balance | 172,690,672 | 146,489,873 | 144,137,815 | 146,523,662 | 115,471,224 |
| Change in Fund Balance | 11,131,115 | (12,153,700) | (2,099,097) | 33,789 | (31,052,438) |

For 2008-09, estimated beginning fund balance is \$252,961 greater than budgeted beginning fund balance. This slight increase is the result of significant departmental savings that were able to offset the equally significant revenue shortfalls for both sales tax and vehicle license fees. Despite revenue shortfalls (\$27.7 million), departmental savings (\$29.8 million) resulted in an estimated June 30, 2009 ending fund balance which is \$2.1 million greater than budget.

For the 2009-10 budget, revenue reflects a decrease of \$41.5 million from the prior year budget. This decrease results from not realizing the budgeted growth in sales tax of 2.7% and growth in vehicle license fees of 4%, as well as recovery of the base shortfalls from prior year, that were included for 2008-09. The unrealized growth is coupled with continued revenue shortfalls of 8.0% each, for both sales tax and vehicle license fees. Offsetting this decrease in revenue are decreases in departmental usage of \$12.6 million from the prior year budget. The 2009-10 budget will use \$31.0 million in fund balance.

| SUMMARY OF REALIGNMENT BUDGET UNITS FOR 2009-10 | | | | |
|--|----------------------|------------------------|---------------|--------------|
| | Mental Health | Social Services | Health | Total |
| Estimated Beginning Fund Balance | 15,087,644 | 92,775,253 | 38,660,765 | 146,523,662 |
| Budgeted Revenue | 50,487,221 | 75,234,909 | 51,281,403 | 177,003,533 |
| Budgeted Departmental Usage | 54,326,978 | 94,056,622 | 59,672,371 | 208,055,971 |
| Budgeted 10% Transfers | - | - | - | - |
| Estimated Ending Fund Balance | 11,247,887 | 73,953,540 | 30,269,797 | 115,471,224 |
| Estimated Change in Fund Balance | (3,839,757) | (18,821,713) | (8,390,968) | (31,052,438) |
| Estimated Ending Fund Balance | 11,247,887 | 73,953,540 | 30,269,797 | 115,471,224 |
| 10% Contingency Target | 5,048,722 | 7,523,491 | 5,128,140 | 17,700,353 |
| Available Ending Fund Balance | 6,199,165 | 66,430,049 | 25,141,657 | 97,770,871 |

The Realignment budget units do not directly spend funds or provide service. They are strictly financing budget units with the actual expenditures occurring within the operating budget units of the departments that receive Realignment revenue.

The Realignment legislation does allow for some flexibility in usage of funds at the county level. Upon action by the Board of Supervisors, a county can transfer 10% of a given year's revenue from one budget unit to another. While San Bernardino County has used this provision in the past to help support either the health or social services programs, the County did not do a 10% transfer in 2008-09 and is not budgeting one for 2009-10. However, in the event that such transfer is needed, Board of Supervisors approval is required.

Additionally, an appropriation for contingency of Realignment funds is being presented for 2009-10. This contingency is established at 10% of the current year's budgeted revenue. This 10% contingency is established to ensure funding for the mental health, social services and health budget units should the County experience Realignment revenue shortfalls.



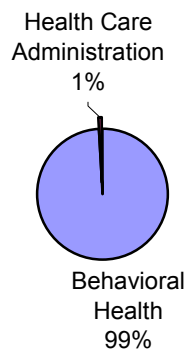
The next three pages contain the breakdown of the fund balance calculations and departmental usage for each of the three individual Realignment budget units.

| Mental Health | | | | |
|------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|
| | ACTUAL 2007-08 | BUDGET 2008-09 | ESTIMATE 2008-09 | FINAL 2009-10 |
| Beginning Fund Balance | 53,781,558 | 20,689,159 | 20,994,543 | 15,087,644 |
| Revenue | 59,394,901 | 61,599,016 | 54,191,511 | 50,487,221 |
| Departmental Usage | 92,181,916 | 73,859,589 | 60,098,410 | 54,326,978 |
| 10% Transfers | - | - | - | - |
| Ending Fund Balance | 20,994,543 | 8,428,586 | 15,087,644 | 11,247,887 |
| Change in Fund Balance | (32,787,015) | (12,260,573) | (5,906,899) | (3,839,757) |

In 2007-08, actual revenue of \$59.4 million, offset by actual department expenditure of \$92.2 million resulted in a decrease in fund balance of \$32.8 million. For 2008-09, the Mental Health budget unit is anticipated to spend another \$5.9 million of fund balance. Base shortfalls in sales tax and vehicle license fees revenue resulted in total revenue of \$7.4 million less than budget. Offsetting these revenue shortfalls are anticipated departmental savings of \$13.8 million less than budget, resulting in an estimated increase of \$6.7 million as compared to budgeted fund balance for the period ending June 30, 2009.

For 2009-10, the Mental Health budget unit is anticipated to spend \$3.8 million of fund balance. Revenue is budgeted to reflect anticipated shortfalls in base of 8.0% for both sales tax and vehicle license fees. Offsetting this decrease in revenue is the significant decrease of \$19.5 million in budgeted departmental usage. This decrease is primarily the result of the Department of Behavioral Health's ongoing efforts to bring Realignment usage in line with anticipated revenues.

| Breakdown of Departmental Usage of Mental Health Realignment | | | | |
|---|---------------------------|---------------------------|-----------------------------|--------------------------|
| | ACTUAL 2007-08 | BUDGET 2008-09 | ESTIMATE 2008-09 | FINAL 2009-10 |
| Behavioral Health | 91,641,806 | 73,375,595 | 59,650,268 | 53,842,753 |
| Health Care Administration | 540,110 | 483,994 | 448,142 | 484,225 |
| Total Departmental Usage | 92,181,916 | 73,859,589 | 60,098,410 | 54,326,978 |



| |
|------------------------|
| Social Services |
|------------------------|

| | ACTUAL 2007-08 | BUDGET 2008-09 | ESTIMATE 2008-09 | FINAL 2009-10 |
|------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|
| Beginning Fund Balance | 56,824,195 | 79,208,138 | 79,199,541 | 92,775,253 |
| Revenue | 89,475,824 | 94,672,150 | 81,770,724 | 75,234,909 |
| Departmental Usage | 67,100,478 | 82,481,141 | 68,195,012 | 94,056,622 |
| 10% Transfers | - | - | - | - |
| Ending Fund Balance | 79,199,541 | 91,399,147 | 92,775,253 | 73,953,540 |
| Change in Fund Balance | 22,375,346 | 12,191,009 | 13,575,712 | (18,821,713) |

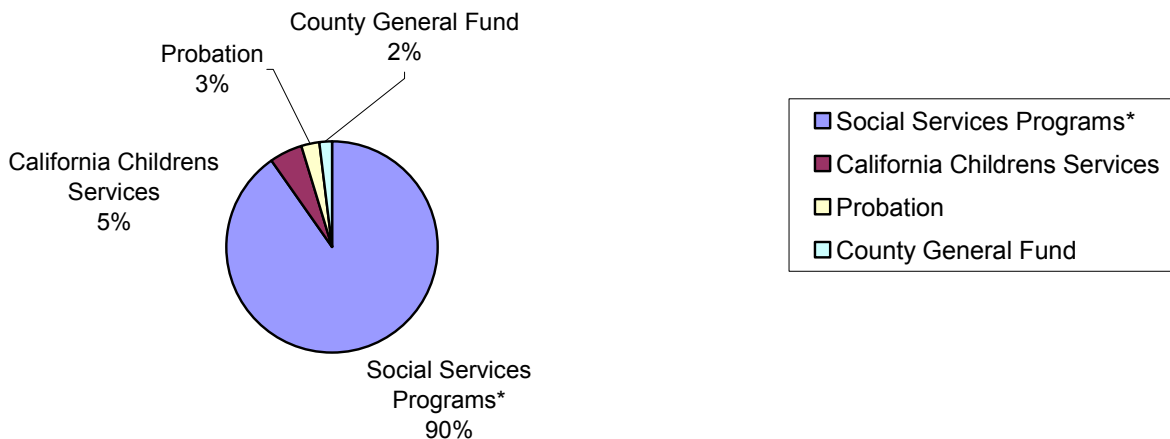
Social Services Realignment revenue is composed primarily of sales tax. The split is currently 96% sales tax and 4% vehicle license fees. For 2007-08, actual revenue of \$89.5 million, offset by actual departmental expenditure of \$67.1 million resulted in an increase in fund balance of \$22.4 million. For 2008-09, revenue is estimated at \$12.9 million less than budget. The 2008-09 budget included projected growth in sales tax of 2.7% and growth in vehicle license fees of 4%. However, not only will no growth be realized, but actual sales tax and vehicle license fee revenues are anticipated to be 8.5% and 10.3% short of base, respectively. Offsetting this decrease is department savings of \$14.3 million, resulting in an estimated slight increase of \$1.4 million as compared to budgeted fund balance for the period ending June 30, 2009.

For 2009-10, budgeted expense and ongoing revenue are expected to result in usage of fund balance of \$18.8 million. The dramatic increase in budgeted departmental usage for 2009-10 is due to the increased demand on the Social Services budget units, resulting directly from the current economic condition. Increased investments of both Realignment trust as well as local funds are needed to meet the current and anticipated increases in Social Services caseload for 2009-10.

| |
|---|
| Breakdown of Departmental Usage of Social Services Realignment |
|---|

| | ACTUAL 2007-08 | BUDGET 2008-09 | ESTIMATE 2008-09 | FINAL 2009-10 |
|-------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|
| Social Services Programs* | 59,315,286 | 73,621,778 | 59,998,312 | 84,947,259 |
| California Childrens Services | 3,285,562 | 4,359,733 | 3,697,070 | 4,609,733 |
| Probation | 2,700,630 | 2,700,630 | 2,700,630 | 2,700,630 |
| County General Fund | 1,799,000 | 1,799,000 | 1,799,000 | 1,799,000 |
| Total Departmental Usage | 67,100,478 | 82,481,141 | 68,195,012 | 94,056,622 |

* Soc. Svcs. Programs include: IHSS, Foster Care, Seriously Emotionally Disturbed, and Administrative Claim Matches

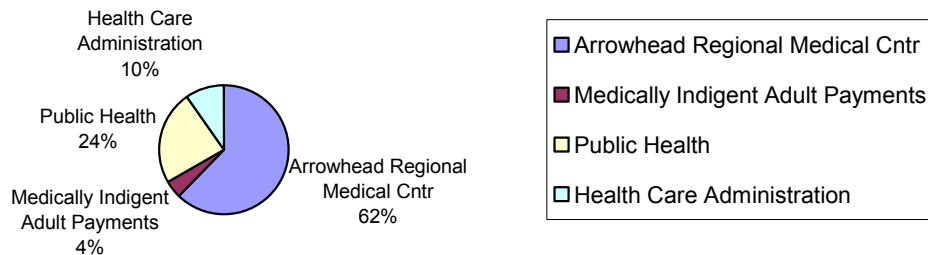


| Health | | | | |
|------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|
| | ACTUAL 2007-08 | BUDGET 2008-09 | ESTIMATE 2008-09 | FINAL 2009-10 |
| Beginning Fund Balance | 48,037,820 | 46,339,615 | 46,295,789 | 38,660,765 |
| Revenue | 60,429,336 | 62,247,073 | 54,878,206 | 51,281,403 |
| Departmental Usage | 62,171,367 | 64,276,606 | 62,513,230 | 59,672,371 |
| 10% Transfers | - | - | - | - |
| Ending Fund Balance | 46,295,789 | 44,310,082 | 38,660,765 | 30,269,797 |
| Change in Fund Balance | (1,742,031) | (2,029,533) | (7,635,024) | (8,390,968) |

In 2007-08, actual revenue of \$60.4 million, offset by departmental expenditure of \$62.2 million resulted in a decrease in fund balance of \$1.7 million. For 2008-09, as with the Mental Health and Social Services Realignment budget units, the Health Realignment budget unit anticipates a dramatic decrease in revenues. The decrease of \$7.4 million is primarily the result of anticipated shortfalls in vehicle license fee revenues of 10.3% since Health Realignment is primarily funded with vehicle license fees at 72%, with the remaining 28% coming from sales tax. However, it should be noted that sales tax revenues are also anticipated to be short of base by 8.5%, therefore, exacerbating already declining revenue streams. These decreases are offset by anticipated department expenditure savings of \$1.7 million, resulting in an estimated decrease in fund balance of \$5.7 million as compared to budget.

For 2009-10, the Health budget unit is anticipated to spend another \$8.4 million of fund balance. Again, revenue is budgeted to reflect anticipated shortfalls in base of 8.0% for both sales tax and vehicle license fees. Offsetting this decrease in revenue is the decrease of \$4.6 million in departmental usage from prior year budget. This decrease is primarily the result of reduced Health Care Administration usage to reflect decreased net debt service payments, as well as decreased usage by the Arrowhead Regional Medical Center for one-time funded projects. Despite the reduced departmental usage, total Realignment use for all health care departments continues to exceed anticipated revenues. As such, the departments, in conjunction with the County Administrative Office, will begin to evaluate the use of Realignment within the various departments and programs to ensure that future Realignment usage can stay in line with total revenues.

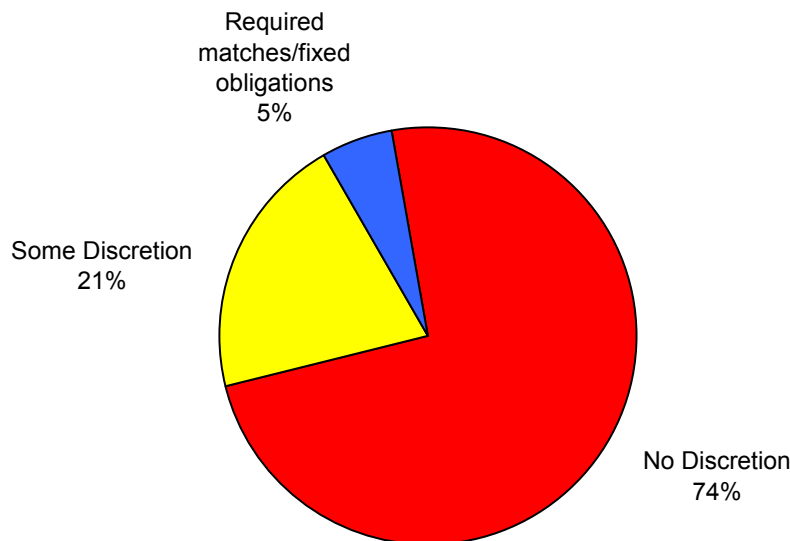
| Breakdown of Departmental Usage of Health Realignment | | | | |
|--|---------------------------|---------------------------|-----------------------------|--------------------------|
| | ACTUAL 2007-08 | BUDGET 2008-09 | ESTIMATE 2008-09 | FINAL 2009-10 |
| Arrowhead Regional Medical Cntr | 35,831,085 | 39,932,918 | 37,897,481 | 37,198,769 |
| Medically Indigent Adult Payments | 2,550,000 | 2,550,000 | 2,550,000 | 2,550,000 |
| Public Health | 13,042,558 | 14,729,074 | 13,189,522 | 14,164,292 |
| Health Care Administration | 10,747,724 | 7,064,614 | 8,876,227 | 5,759,310 |
| Total Departmental Usage | 62,171,367 | 64,276,606 | 62,513,230 | 59,672,371 |



COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget including operating transfers in is \$2.4 billion, however, the Board of Supervisors has no discretion on \$1.8 billion of this amount as seen in this pie chart.

2009-10 Final Budget General Fund Spending



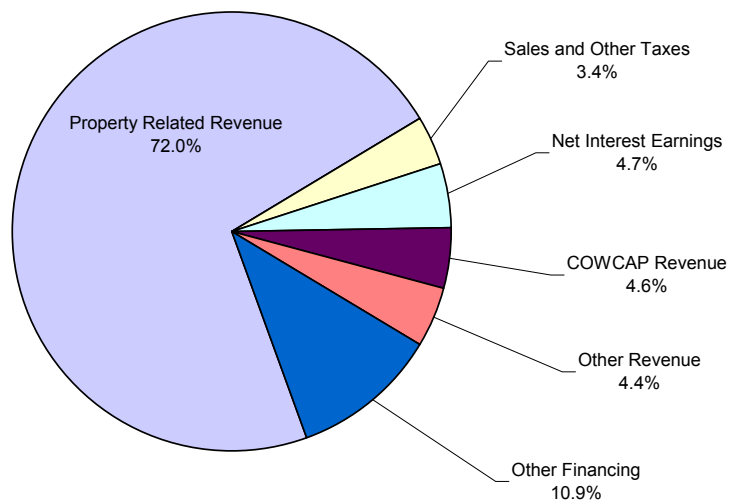
| | |
|--|------------------------|
| SPENDING WHERE THE BOARD HAS NO DISCRETION. INCLUDES: | 1,769,872,808 |
| Welfare costs reimbursed by state and federal monies (\$861.8 million) | |
| Other program costs funded by program revenues such as user fees (\$908.1 million) | |
| REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS: | 130,852,208 |
| SPENDING WHERE THE BOARD HAS SOME DISCRETION. INCLUDES: | 498,531,790 |
| Reserve Contributions (\$2.0 million) | |
| Contingencies Contributions (\$40.9 million) | |
| Law and justice program costs funded by local revenues (\$299.7 million) | |
| All other program costs funded by local revenues (\$155.9 million) | |
| TOTAL: | \$2,399,256,806 |

The Board of Supervisors has authority over the countywide discretionary revenue, which totals \$629,383,998. This countywide discretionary revenue is first obligated to pay for the required health and welfare matches and other fixed obligations, which total \$130,852,208. The remaining amount of \$498,531,790 is available for the Board's discretion and finances departmental budgets' local cost.



Shown below are the sources of the countywide discretionary revenue of \$629,383,998 for 2009-10:

Discretionary Revenue by Category 2009-10 Final Budget



Other Revenue Includes: Property Tax Admin Revenue, Other State and Federal Aid, Recording Fee Revenue, and Other Revenue.

Other Financing Includes: Fund Balance, Use of Reserves and Operating Transfers In.

Percentages may not add to 100% due to rounding.

**COUNTYWIDE DISCRETIONARY REVENUE
WHICH PAY FOR GENERAL FUND LOCAL COST**

| | Restated 2007-08 Final Budget | 2008-09 Final Budget | 2008-09 Actual | 2009-10 Final Budget |
|---|-------------------------------------|-------------------------|--------------------|-------------------------|
| Countywide Discretionary Revenue | | | | |
| Property Related Revenues: | | | | |
| Current Secured, Unsecured, Unitary | 206,738,207 | 222,083,877 | 223,768,812 | 214,778,726 |
| VLF/Property Tax Swap | 208,146,542 | 221,512,046 | 225,972,474 | 212,651,564 |
| Supplemental Property Tax | 14,000,000 | 14,000,000 | 10,969,631 | 7,000,000 |
| Property Transfer Tax | 15,000,000 | 8,500,000 | 5,730,249 | 5,600,000 |
| Sales Tax/Property Tax Swap | 6,447,235 | 5,771,432 | 4,401,212 | 5,194,289 |
| Penalty on Current Taxes | 2,272,832 | 2,272,832 | 2,831,041 | 2,570,000 |
| Prior Property Taxes, Penalties and Interest | 3,860,659 | 3,860,659 | 4,908,918 | 5,600,000 |
| Total Property Related Revenues | 456,465,475 | 478,000,846 | 478,582,337 | 453,394,579 |
| Sales and Other Taxes: | | | | |
| Sales and Use Tax | 16,432,119 | 17,005,469 | 10,746,550 | 12,324,000 |
| Franchise Fees | 7,120,050 | 7,493,050 | 7,245,322 | 7,031,651 |
| Hotel/Motel Tax | 1,200,000 | 1,400,000 | 1,485,105 | 1,400,000 |
| Other Taxes | 750,000 | 790,000 | 1,014,177 | 790,000 |
| Total Sales and Other Taxes | 25,502,169 | 26,688,519 | 20,491,153 | 21,545,651 |
| Net Interest Earnings | 31,000,000 | 33,000,000 | 42,277,088 | 29,460,484 |
| COWCAP Revenue | 25,196,750 | 27,958,508 | 27,690,568 | 28,797,263 |
| Property Tax Admin Revenue | 13,800,000 | 17,800,000 | 17,313,327 | 16,792,611 |
| Recording Fee Revenue | 8,616,493 | 5,200,000 | 3,901,322 | 3,500,000 |
| State and Federal Aid | 3,660,738 | 3,649,060 | 5,670,415 | 4,699,000 |
| Booking Fee Revenue | 3,000,000 | - | - | - |
| Treasury Pool Management Fees | 2,503,298 | 2,609,234 | 2,399,582 | - |
| Other Revenue | 2,430,000 | 2,430,000 | 3,277,656 | 2,430,000 |
| Total Countywide Discretionary Revenue | 572,174,923 | 597,336,167 | 601,603,449 | 560,619,588 |
| Other Financing Sources | | | | |
| Fund Balance, beginning | 56,425,431 | 77,342,818 | 77,342,818 | 46,190,296 |
| Reimbursements | - | - | - | - |
| Use of Reserves | 2,688,000 | 4,096,300 | 53,426,259 | 1,992,545 |
| Operating Transfers In | 19,105,406 | 19,285,813 | 15,180,407 | 20,581,569 |
| Total Other Financing Sources | 78,218,837 | 100,724,931 | 145,949,484 | 68,764,410 |
| Total Countywide Discretionary Revenue and Other Financing Sources | 650,393,760 | 698,061,098 | 747,552,933 | 629,383,998 |

The restatement of the 2007-08 revenue numbers is due to the reclassification of Property Transfer Tax and Sales Tax / Property Tax Swap into the Property Related Revenue category from the Sales and Other Taxes category.

The 2009-10 general fund financing includes Countywide Discretionary Revenue of \$560.6 million and Other Financing Sources of \$68.8 million.



Countywide Discretionary Revenue

Property Related Revenues and the Housing Market

Property Related Revenues account for over 72% of countywide discretionary revenue and other financing sources. These revenues are being severely impacted as a result of the mortgage and economic crisis which has had a significant effect on the housing market within the County.

The secured property tax roll published in July 2008 contained approximately 707,000 residential parcels. In calendar year 2008, foreclosures in the County totaled 25,000, which represented a 200% increase from the 8,300 foreclosures in 2007. From January 1, 2009 to February 28, 2009, there were 3,780 foreclosures based on data provided by the Office of the County Assessor, an increase of 8.0% above the 3,500 foreclosures recorded from January 1, 2008 to February 29, 2008. The quantity of homes for sale has contributed to a steep decline in sale prices and the reduction in the fair market value of homes in certain neighborhoods in the County. Information provided by a local economist and Dataquick Information Services shows that the median sales price of a home in the first quarter of 2009 had declined 57.4% to \$158,902 (which was the approximate sales price of a home in 2002), from the peak of \$373,381 in the fourth quarter of 2006. However, the number of homes sold, which was down 46.3% in calendar year 2007, was up 52% in the second half of 2008 and up 99.5% for the first quarter of 2009 (as compared to the respective prior periods). Approximately 60.7% of County residents can now afford a median priced home (using 2007 income levels).

Assessed valuation is negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lower valuations of properties (where no change in ownership has occurred) if the current assessed value of such property is greater than the fair market value of the property. As a result of both of these factors, the County anticipates a 6% reduction in secured assessed valuation in 2009-10. This includes \$14.2 billion in assessed value reductions from Proposition 8 reassessments, which, when combined with the prior year reassessments, will bring Proposition 8 value reductions to a total of \$21.4 billion.

Secured Property Tax

Secured Property Tax Revenue makes up \$192.7 million of the \$214.8 million in the 2009-10 "Current Secured, Unsecured, Unitary" budgeted revenue number. This budgeted amount anticipates a 6% decrease in secured property tax as compared to 2008-09 projections per the indicators above.

VLF/Property Tax Swap

Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose financing. Beginning in Fiscal Year 1998-99, the State reduced the VLF payment required from vehicle owners. However, the State made up the revenue impact of the VLF rate reductions with State general fund revenue (the 'VLF Backfill').

The VLF Backfill was eliminated in the 2004-05 State budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

For 2004-05, the State established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount adjusted by the percent change in assessed valuation. This percent change includes both secured and unsecured assessed valuation, but excludes the change in unitary valuations. For 2009-10, it is projected that this revenue will decrease 6.0% over 2008-09 as a result of the difficulties in the housing market as detailed above.

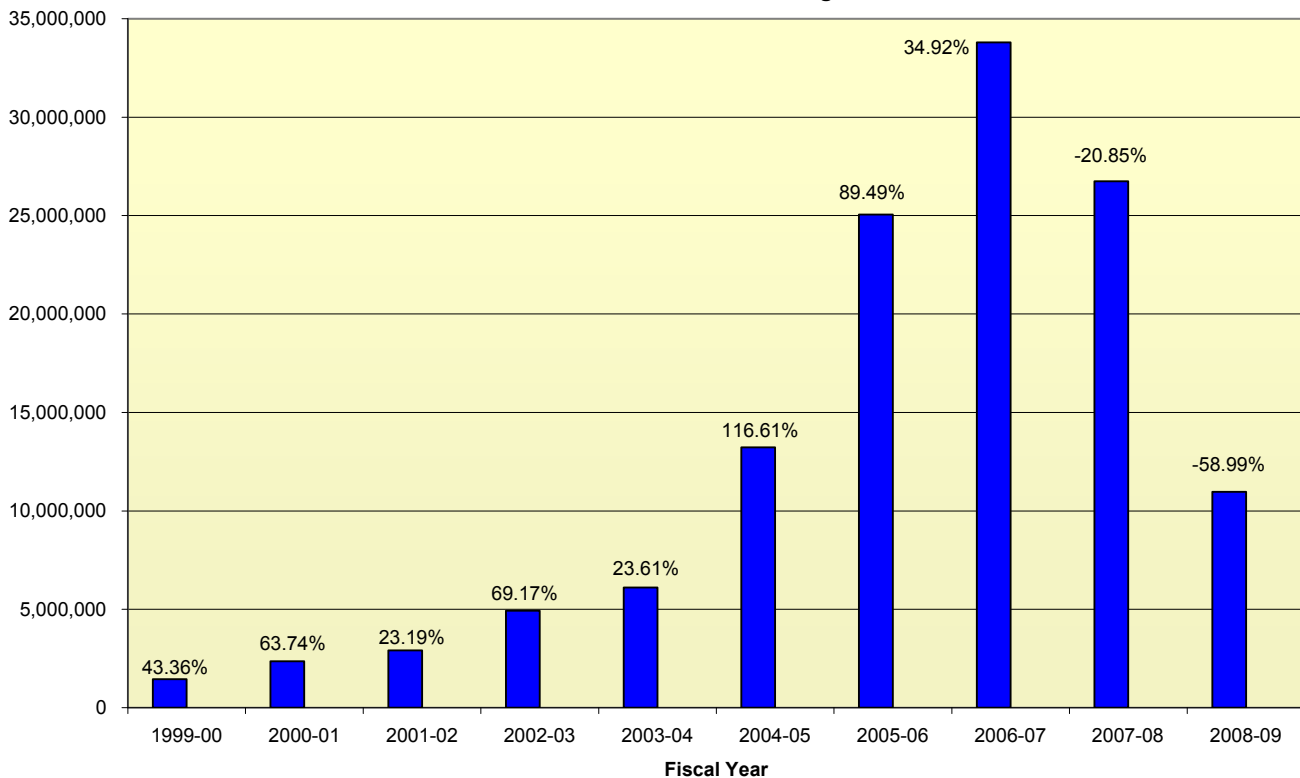


Supplemental Property Tax

Supplemental Property Tax payments are required from property owners when there is a change in the assessed valuation of their property after the property tax bill for that year has been issued. Generally there are two types of events that will require a supplemental property tax payment: a change in ownership or the completion of new construction. As a result, when property values have been increasing and sales activity is high, there will be an increase in the number and dollar amount of supplemental property tax bills, which will result in increased supplemental property tax revenue to the County. Conversely, when values are decreasing and home sales are high, refunds may be due to homeowners, and supplemental property tax revenues will decrease.

In years prior to 2007-08, the county experienced a dramatic rise in supplemental property tax revenue related to a strong housing market. Because the collection of these revenues may not occur for one to two years after the sale of the property, supplemental property tax revenue will generally lag the reality in the housing market by at least a year.

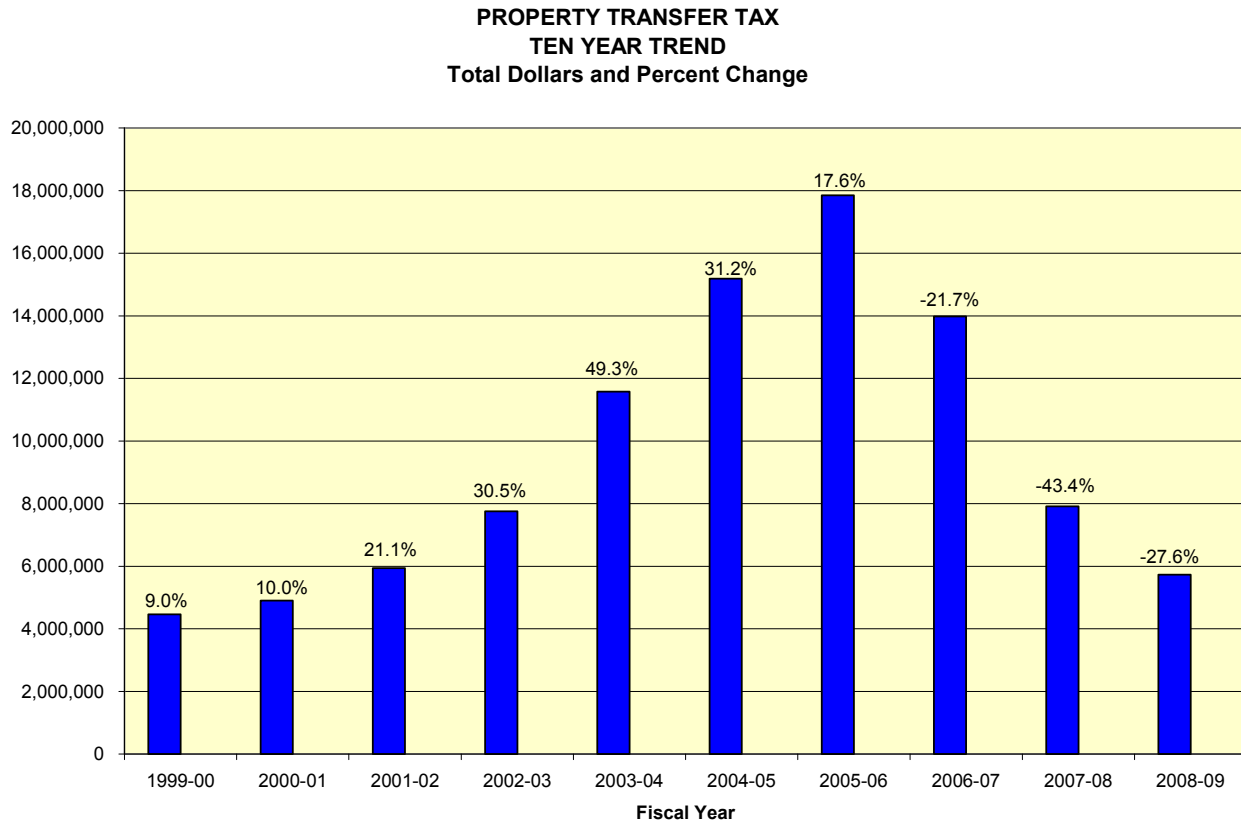
**SUPPLEMENTAL PROPERTY TAXES
TEN YEAR TREND
Total Dollars and Percent Change**



The County anticipated a housing slowdown in 2006-07 by budgeting a conservative \$14.0 million for supplemental property taxes. Although actual revenues for 2006-07 totaled \$33.8 million and revenues for 2007-08 totaled \$26.7 million, the final budget for 2008-09 remained at \$14.0 million. As discussed above, the County anticipates a 6% decline in assessed valuation due in part to homes selling at prices lower than their current assessed values. When such a home sale occurs after the property tax bill is issued, a refund may be due to the taxpayer. Due to the rapid decline in assessed valuations, the County is projecting supplemental property tax revenues of \$7.0 million for 2009-10.

Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds \$100. The tax rate is \$0.55 for each \$500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. This revenue has increased dramatically over recent years due to the high volume of housing sales and increasing housing prices, but is now declining due to the downturn in the housing market. Although home sales are currently soaring, the decrease in the median price of homes sold has caused this revenue to decline and it is anticipated that it will now remain relatively flat. As a result, the County is estimating 2009-10 revenues at \$5.6 million. The following chart presents the most recent ten year trend of property transfer tax revenue.



Sales Tax/Property Tax Swap

Effective with the fiscal year that began on July 1, 2004, the State changed the way sales tax revenue is distributed to counties and cities. Previously, counties and cities received 1% of the State's base 7.25% sales tax rate. Pursuant to new provisions enacted by the legislature, this 1% share of sales tax was reduced by 0.25%, to 0.75%. The additional 0.25% in sales tax revenue was redirected to the State to be used to fund debt service on the California Economic Recovery Bonds, which were approved by voters as Proposition 57. In return, counties and cities receive additional property tax revenue in an amount equal to the 0.25% sales tax revenues forgone, funded by reducing the schools share of property tax revenue. The state general fund then makes up the loss of property tax revenue to the schools. This change is referred to as the 'Triple Flip'. This Triple Flip will continue until the California Economic Recovery Bonds are paid.

The Triple Flip was designed to replace sales tax revenue on a dollar for dollar basis with property tax revenue. In practice, the additional property tax revenue paid to the counties and cities each year is based on an estimate of the agencies' sales tax revenue for the year plus a 'true-up' from the prior year. This true-up represents the difference between the additional property tax revenue paid to the local agency and the actual amount of sales tax revenue (the 0.25%) lost by the agency.

Sales and Use Tax

Countywide discretionary revenue includes 0.75% of the county's 7.75% sales tax rate charged on purchases made in the unincorporated areas of the County.

When preparing the annual budget, the County projects future sales tax revenue based on data provided by a local economist. For 2009-10, the economist has projected total sales tax revenues in the unincorporated area of \$13.4 million (after adjusting for the Triple Flip). The County has budgeted \$12.3 million. This amount is included in the final budget and reflects a 27.5% decrease from the prior year budgeted amount due to abnormally low sales tax activity in this recession.

The major reasons for the difference between the numbers of the economist and the County include:

Sales Tax Sharing Agreement with the City of Redlands

In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides government services to an unincorporated area of the County, and in return the County pays the city a percentage of the sales tax revenue generated in that geographical area. This geographic area has and continues to add numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County's discretionary sales tax revenue generated in this area.

Potential Annexations and Incorporations

Based on recent estimates, and adjusted for recent annexations, approximately 35% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the spheres of influence of the 24 cities that are within the County's boundaries. A sphere of influence is a 'planning boundary' within which a city or district is expected to grow into over time. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenue if a community in the unincorporated area of the County decided to create a new city (incorporate).

Net Interest Earnings

Net interest earnings for 2009-10 are projected at \$29.5 million. This is a decrease of \$3.5 million from the prior year and is due to lower available investment rates and anticipated lower cash balances in the general fund.

COWCAP (County-Wide Cost Allocation Plan) Revenue

COWCAP revenue is reimbursement for overhead/indirect costs incurred by the general fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and fee supported general fund departments and taxing entities such as the library and Board-governed special districts. The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2009-10 County-Wide Cost Allocation Plan (COWCAP) published by the Auditor/Controller-Recorder.

Property Tax Admin Revenue

Property Tax Administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which the legislature provided to allow counties to recover the cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort.

Recording Fee Revenue

The Recorder's Division of the County's Auditor/Controller-Recorder's Office collects certain fees for the official recording of documents. Recording Fees are expected to decrease by \$1.7 million over the 2008-09 budgeted amount due to the decrease in document recordings in the current year.

State and Federal Aid

State and Federal aid consists of a payment from the welfare realignment trust fund, which replaced the state revenue stabilization program, and SB90 reimbursements from the state. It also includes revenues received from the Federal government's Payment in Lieu of Taxes (PILT) program. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) was enacted on October 3, 2008 and authorized full funding for the PILT program from 2008 through 2012. As a result projected PILT revenues are increased by \$1.0 million for 2009-10.

Treasury Pool Management Fees

For the fiscal years 2006-07 through 2008-09, countywide discretionary revenue included cost reimbursement for the management of the County's investment pool. For 2009-10, this revenue will be budgeted again in the Treasurer/Tax Collector's budget unit.

Other Revenue

Other revenue includes overhead charges recovered through city law enforcement contracts with the Sheriff-Coroner's Department, voided warrants issued by the county, projected transfers of unclaimed property tax refunds to the general fund, the county share of vehicle code violation revenue, and other miscellaneous revenues.

Other Financing Sources**Fund Balance and Reimbursements**

The 2008-09 final year-end fund balance for the general fund is \$46.2 million.

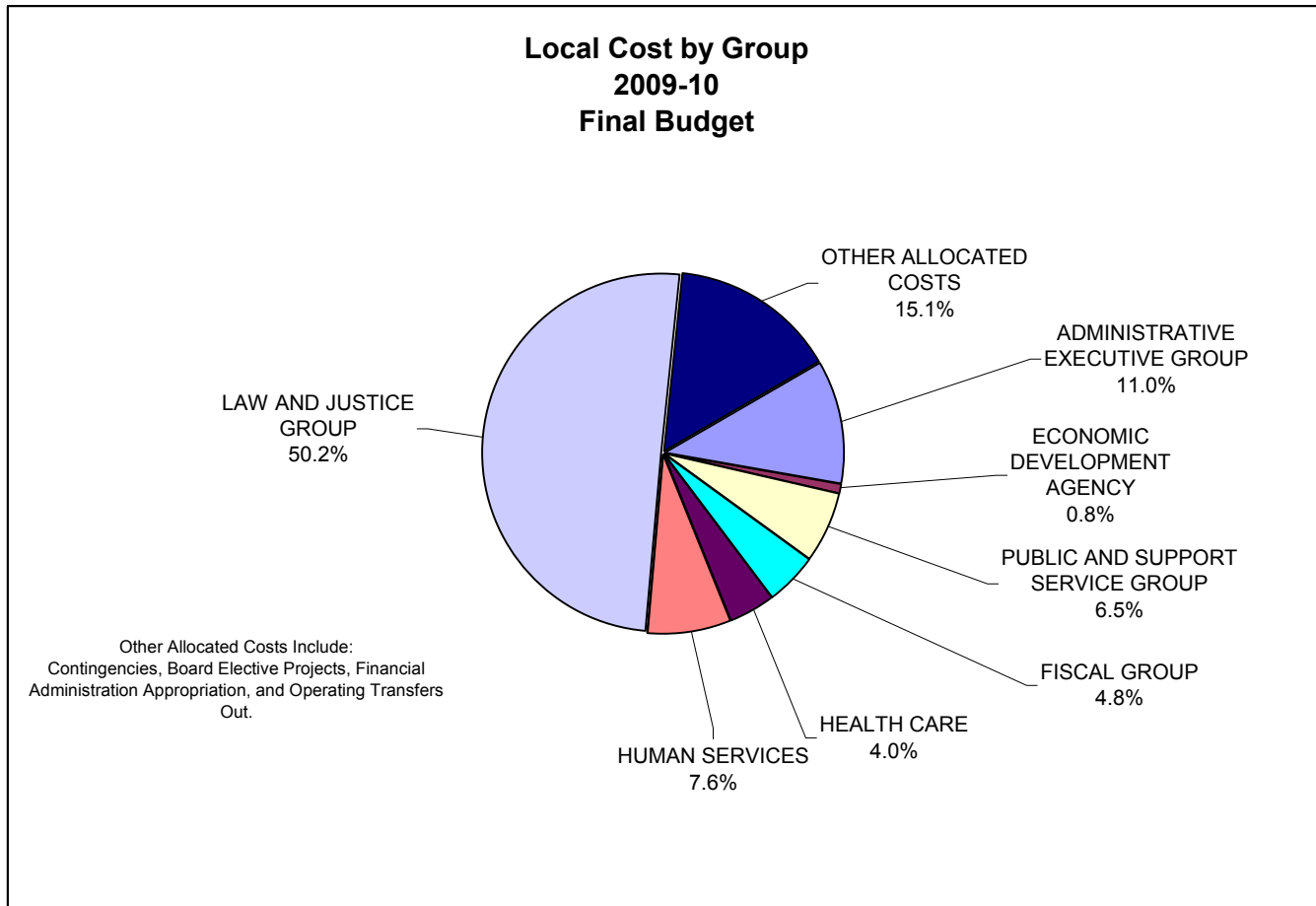
Use of Reserves

The 2009-10 budget anticipates a draw of \$1.7 million from the Business Process Improvement Reserve and \$0.3 million from the Registrar of Voter's Electronic Voting Reserve.

Operating Transfers In

Operating transfers in include transfers from the Courthouse and Criminal Justice Construction funds of \$4.1 million to finance debt service on the Foothill Law and Justice Center, and \$15.0 million of tobacco settlement funds to provide funding for debt service on the Arrowhead Regional Medical Center.

Countywide discretionary revenue is allocated as local cost to various general fund departments within the county. The pie chart below shows what percentage of the local cost is allocated to each of the groups.



Percentages may not add to 100% due to rounding.

The schedule on the following page shows a comparison of prior year local cost and current year local cost by department. This schedule also includes appropriation and revenue, including operating transfers, which are mechanisms to move financing between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's appropriation and revenue. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the County Budget Summary section, as their inclusion would overstate countywide appropriation and revenue on a consolidated basis.

| Department Title | 2008-09 Final Budget: | | | 2009-10 Final Budget: | | | Change Between 2008-09 Final & 2009-10 Final: | | |
|--|-----------------------|----------------------|--------------------|-----------------------|----------------------|--------------------|--|---------------------|---------------------|
| | Appropriation | Revenue | Local Cost | Appropriation | Revenue | Local Cost | Appropriation | Revenue | Local Cost |
| BOARD OF SUPERVISORS (ALL DISTRICTS) | 6,975,899 | - | 6,975,899 | 7,570,572 | - | 7,570,572 | 594,673 | - | 594,673 |
| BOARD OF SUPERVISORS - LEGISLATION | 902,075 | - | 902,075 | - | - | - | (902,075) | - | (902,075) |
| CLERK OF THE BOARD | 1,558,975 | 126,665 | 1,432,310 | 2,174,328 | 115,235 | 2,059,093 | 615,353 | (11,430) | 626,783 |
| COUNTY ADMINISTRATIVE OFFICE | 5,608,994 | - | 5,608,994 | 6,317,628 | - | 6,317,628 | 708,634 | - | 708,634 |
| COUNTY ADMINISTRATIVE OFFICE - LITIGATION | 388,681 | - | 388,681 | 596,807 | - | 596,807 | 208,126 | - | 208,126 |
| COUNTY ADMINISTRATIVE OFFICE - JOINT POWERS LEASES | 21,812,356 | - | 21,812,356 | 23,033,394 | - | 23,033,394 | 1,221,038 | - | 1,221,038 |
| COUNTY COUNSEL | 10,600,311 | 5,080,585 | 5,519,726 | 10,222,650 | 5,693,368 | 4,529,282 | (377,661) | 612,783 | (990,444) |
| HUMAN RESOURCES | 7,311,757 | 343,750 | 6,968,007 | 6,105,255 | 358,650 | 5,746,605 | (1,206,502) | 14,900 | (1,221,402) |
| HUMAN RESOURCES-EMPLOYEE HEALTH AND WELLNESS | 1,375,368 | 1,059,368 | 316,000 | 999,134 | 999,134 | - | (376,234) | (60,234) | (316,000) |
| HUMAN RESOURCES-UNEMPLOYMENT INSURANCE | 4,000,500 | - | 4,000,500 | 4,000,500 | - | 4,000,500 | - | - | - |
| INFORMATION SERVICES-APPLICATION DEVELOPMENT | 16,518,216 | 5,089,326 | 11,428,890 | 15,283,139 | 5,610,195 | 9,672,944 | (1,235,077) | 520,869 | (1,755,946) |
| PURCHASING | 1,436,783 | 184,143 | 1,252,640 | 1,443,974 | 424,725 | 1,019,249 | 7,191 | 240,582 | (233,391) |
| LOCAL AGENCY FORMATION COMMISSION | 350,000 | - | 350,000 | 344,637 | - | 344,637 | (5,363) | - | (5,363) |
| COUNTY SCHOOLS | 4,308,605 | - | 4,308,605 | 4,325,044 | - | 4,325,044 | 16,439 | - | 16,439 |
| ADMIN/EXECUTIVE GROUP SUBTOTAL: | 83,148,520 | 11,883,837 | 71,264,683 | 82,417,062 | 13,201,307 | 69,215,755 | (731,458) | 1,317,470 | (2,048,928) |
| ECONOMIC DEVELOPMENT | 7,318,898 | 580,000 | 6,738,898 | 5,710,767 | 380,000 | 5,330,767 | (1,608,131) | (200,000) | (1,408,131) |
| ECONOMIC DEVELOPMENT AGENCY SUBTOTAL: | 7,318,898 | 580,000 | 6,738,898 | 5,710,767 | 380,000 | 5,330,767 | (1,608,131) | (200,000) | (1,408,131) |
| ASSESSOR | 19,138,707 | 1,050,000 | 18,088,707 | 16,738,364 | 1,347,000 | 15,391,364 | (2,400,343) | 297,000 | (2,697,343) |
| AUDITOR/CONTROLLER-RECORDER | 19,071,494 | 6,610,723 | 12,460,771 | 17,108,441 | 6,232,680 | 10,875,761 | (1,963,053) | (378,043) | (1,585,010) |
| TREASURER-TAX COLLECTOR/PUBLIC ADMINISTRATOR | 20,890,456 | 13,706,190 | 7,184,266 | 21,429,022 | 17,700,948 | 3,728,074 | 538,566 | 3,994,758 | (3,456,192) |
| FISCAL GROUP SUBTOTAL: | 59,100,657 | 21,366,913 | 37,733,744 | 55,275,827 | 25,280,628 | 29,995,199 | (3,824,830) | 3,913,715 | (7,738,545) |
| HEALTH CARE ADMINISTRATION | 64,703,404 | 49,703,404 | 15,000,000 | 73,908,023 | 58,908,023 | 15,000,000 | 9,204,619 | 9,204,619 | - |
| BEHAVIORAL HEALTH | 197,547,716 | 195,704,963 | 1,842,753 | 207,712,640 | 209,555,393 | 1,842,753 | (2,400,677) | 12,007,677 | - |
| BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES | 23,105,034 | 22,955,576 | 149,458 | 22,888,424 | 22,738,966 | 149,458 | (216,610) | (216,610) | - |
| PUBLIC HEALTH | 81,595,216 | 78,022,947 | 3,572,269 | 83,092,275 | 79,820,646 | 3,271,629 | 1,497,059 | 1,797,699 | (300,640) |
| PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES | 19,960,669 | 15,600,936 | 4,359,733 | 18,031,236 | 13,421,503 | 4,609,733 | (1,929,433) | (2,179,433) | 250,000 |
| PUBLIC HEALTH - INDIGENT AMBULANCE | 472,501 | - | 472,501 | 472,501 | - | 472,501 | - | - | - |
| HEALTH CARE SUBTOTAL: | 387,384,540 | 361,987,826 | 25,396,714 | 407,947,852 | 382,601,778 | 25,346,071 | 20,563,312 | 20,613,952 | (50,640) |
| AGING AND ADULT SERVICES | 10,184,380 | 8,952,676 | 1,231,704 | 10,869,634 | 9,662,014 | 1,207,620 | 685,254 | 709,338 | (24,084) |
| AGING AND ADULT SERVICES - PUBLIC GUARDIAN | 1,166,177 | 387,792 | 778,385 | 1,097,924 | 500,354 | 597,570 | (68,253) | 112,562 | (180,815) |
| CHILD SUPPORT SERVICES | 40,082,554 | 40,082,554 | - | 39,351,268 | 39,351,268 | - | (731,286) | (731,286) | - |
| HUMAN SERVICES - ADMINISTRATIVE CLAIM | 360,927,035 | 338,730,083 | 22,196,952 | 391,512,144 | 372,008,078 | 19,504,066 | 30,585,109 | 33,277,995 | (2,692,886) |
| DOMESTIC VIOLENCE/CHILD ABUSE | 1,622,818 | 1,622,818 | - | 1,638,805 | 1,638,805 | - | 15,987 | 15,987 | - |
| ENTITLEMENT PAYMENTS (CHILD CARE) | 85,905,228 | 85,905,228 | - | 45,994,200 | 45,994,200 | - | (39,911,028) | (39,911,028) | - |
| OUT OF HOME CHILD CARE | 859,415 | - | 859,415 | 859,415 | - | 859,415 | - | - | - |
| AID TO ADOPTIVE CHILDREN | 42,543,049 | 40,655,896 | 1,887,153 | 46,955,024 | 45,067,871 | 1,887,153 | 4,411,975 | 4,411,975 | - |
| AFDC-FOSTER CARE | 94,387,086 | 80,826,584 | 13,560,502 | 85,500,144 | 74,106,653 | 11,393,491 | (8,886,942) | (6,719,931) | (2,167,011) |
| REFUGEE CASH ASSISTANCE | 100,000 | 100,000 | - | 100,000 | 100,000 | - | - | - | - |
| CASH ASSISTANCE FOR IMMIGRANTS | 623,764 | 623,764 | - | 637,528 | 637,528 | - | 13,764 | 13,764 | - |
| CALWORKS-ALL OTHER FAMILIES | 228,225,185 | 223,207,546 | 5,017,639 | 275,998,904 | 269,786,911 | 6,211,993 | 47,773,719 | 46,579,365 | 1,194,354 |
| KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM | 6,161,472 | 5,135,205 | 1,026,267 | 6,304,032 | 5,104,032 | 1,200,000 | 142,560 | (31,173) | 173,733 |
| SERIOUSLY EMOTIONALLY DISTURBED | 5,000,301 | 3,976,989 | 1,023,312 | 5,615,961 | 4,592,649 | 1,023,312 | 615,660 | 615,660 | - |
| CALWORKS-2 PARENT FAMILIES | 24,880,956 | 24,276,491 | 604,465 | 43,460,670 | 42,360,670 | 1,100,000 | 18,579,714 | 18,084,179 | 495,535 |
| AID TO INDIGENTS (GENERAL RELIEF) | 1,469,770 | 451,134 | 1,018,636 | 1,742,025 | 420,000 | 1,322,025 | 272,255 | (31,134) | 303,389 |
| VETERAN'S AFFAIRS | 1,488,402 | 349,250 | 1,139,152 | 1,628,933 | 402,500 | 1,226,433 | 140,531 | 53,250 | 87,281 |
| HUMAN SERVICES SUBTOTAL: | 905,627,592 | 855,284,010 | 50,343,582 | 959,266,611 | 911,733,533 | 47,533,078 | 53,639,019 | 56,449,523 | (2,810,504) |
| COUNTY TRIAL COURTS - DRUG COURT PROGRAMS | 157,430 | 157,430 | - | 182,226 | 182,226 | - | 24,796 | 24,796 | - |
| COUNTY TRIAL COURTS - GRAND JURY | 388,592 | - | 388,592 | 390,660 | - | 390,660 | 2,068 | - | 2,068 |
| COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM | 9,283,413 | 125,000 | 9,158,413 | 9,283,413 | 125,000 | 9,158,413 | 12,019 | - | 12,019 |
| COUNTY TRIAL COURTS - COURT FAC/JUDICIAL BENEFITS | 1,875,564 | - | 1,875,564 | 1,887,583 | - | 1,887,583 | 1,910,108 | - | 1,910,108 |
| COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS | 869,334 | - | 869,334 | 2,779,442 | - | 2,779,442 | (700,000) | - | (700,000) |
| COUNTY TRIAL COURTS - MAINTENANCE OF EFFORT | 35,376,490 | 25,110,000 | 10,266,490 | 35,036,490 | 24,410,000 | 10,626,490 | 1,420,384 | (4,034,381) | 5,454,765 |
| DISTRICT ATTORNEY - CRIMINAL | 66,671,268 | 40,292,888 | 26,378,380 | 68,091,652 | 36,258,507 | 31,833,145 | 2,868 | - | 2,868 |
| LAW & JUSTICE GROUP ADMINISTRATION | 232,161 | 78,503 | 153,658 | 235,029 | 78,503 | 156,526 | 1,427,762 | (1,205,210) | 2,632,972 |
| PROBATION-ADMIN. CORRECTIONS & DETENTION | 114,124,910 | 49,243,806 | 64,881,104 | 115,552,672 | 48,038,596 | 67,514,076 | (593,496) | - | (593,496) |
| PROBATION-COURT ORDERED PLACEMENTS | 3,122,330 | - | 3,122,330 | 2,528,834 | - | 2,528,834 | - | - | - |
| PROBATION- JUVENILE JUSTICE GRANT PROGRAM | - | - | - | - | - | - | - | - | - |
| PUBLIC DEFENDER | 33,786,524 | 1,702,204 | 32,084,320 | 35,598,529 | 2,714,708 | 32,883,821 | 1,812,005 | 1,012,504 | 799,501 |
| SHERIFF-CORONER | 415,623,711 | 271,275,863 | 144,347,848 | 418,934,998 | 263,660,668 | 155,274,330 | 3,311,287 | (7,165,195) | 10,926,482 |
| LAW AND JUSTICE GROUP SUBTOTAL: | 681,871,727 | 387,985,694 | 293,886,033 | 690,501,528 | 375,468,208 | 315,033,320 | 8,629,801 | (12,517,486) | 21,147,287 |
| PUBLIC AND SUPPORT SERVICES GROUP ADMIN | 1,977,648 | - | 1,977,648 | - | - | - | (1,977,648) | - | (1,977,648) |
| AGRICULTURE, WEIGHTS AND MEASURES | 6,548,707 | 4,075,133 | 2,473,574 | 6,334,081 | 4,378,133 | 1,955,948 | (214,626) | 303,000 | (517,626) |
| AIRPORTS | 2,767,147 | 2,767,147 | - | 2,789,976 | 2,789,976 | - | 22,829 | 22,829 | - |
| ARCHITECTURE AND ENGINEERING | 585,320 | - | 585,320 | 538,494 | - | 538,494 | (46,826) | - | (46,826) |
| COUNTY MUSEUM | 4,144,827 | 1,520,579 | 2,624,248 | 3,412,758 | 1,760,400 | 1,652,358 | (732,069) | 239,821 | (971,890) |
| FACILITIES MANAGEMENT | 14,479,851 | 5,174,237 | 9,305,614 | 12,445,930 | 5,577,794 | 6,868,136 | (2,033,921) | 403,557 | (2,437,478) |
| FACILITIES MANAGEMENT - UTILITIES | 17,879,196 | 371,082 | 17,508,114 | 18,895,726 | 1,178,164 | 17,717,562 | 1,016,530 | 807,082 | 209,448 |
| LAND USE SERVICES - ADMINISTRATION | 440,000 | 440,000 | - | - | - | - | (440,000) | (440,000) | - |
| LAND USE SERVICES - CURRENT PLANNING | 3,335,080 | 3,335,080 | - | 3,165,256 | 3,165,256 | - | (169,824) | (169,824) | - |
| LAND USE SERVICES - ADVANCE PLANNING | 5,095,642 | 2,390,858 | 2,704,784 | 3,929,714 | 2,437,633 | 1,492,081 | (1,165,928) | 46,775 | (1,212,703) |
| LAND USE SERVICES - BUILDING AND SAFETY | 10,244,406 | 10,244,406 | - | 8,390,773 | 8,390,773 | - | (1,853,633) | (1,853,633) | - |
| LAND USE SERVICES - CODE ENFORCEMENT | 4,993,795 | 560,300 | 4,433,495 | 4,440,405 | 859,800 | 3,580,605 | (553,390) | 299,500 | (852,890) |
| LAND USE SERVICES - FIRE HAZARD ABATEMENT | 2,851,163 | 2,851,163 | - | 2,888,411 | 2,888,411 | - | 37,248 | 37,248 | - |
| PUBLIC WORKS-SURVEYOR | 5,203,207 | 4,935,069 | 268,138 | 4,754,089 | 4,507,402 | 246,687 | (449,118) | (427,667) | (21,451) |
| REAL ESTATE SERVICES | 2,544,054 | 1,538,500 | 1,005,554 | 2,047,134 | 1,337,460 | 709,674 | (496,920) | (201,040) | (295,880) |
| REAL ESTATE SERVICES - RENTS AND LEASES | 419,311 | 419,311 | - | 429,355 | 429,355 | - | 10,044 | 10,044 | - |
| REAL ESTATE SERVICES - COURTS PROPERTY MANAGEMENT | 382,430 | 337,430 | 45,000 | 2,375,357 | 2,330,357 | 45,000 | 1,992,927 | 1,992,927 | - |
| REGIONAL PARKS | 10,026,441 | 7,236,617 | 2,789,824 | 9,605,131 | 7,748,440 | 1,856,691 | (421,310) | 511,823 | (933,133) |
| REGISTRAR OF VOTERS | 8,418,890 | 3,480,870 | 4,938,020 | 7,934,942 | 3,928,000 | 4,006,942 | (483,948) | 447,130 | (931,078) |
| PUBLIC AND SUPPORT SVCS GRP SUBTOTAL: | 102,337,115 | 51,677,782 | 50,659,333 | 94,377,532 | 53,707,354 | 40,670,178 | (7,959,583) | 2,029,572 | (9,989,155) |
| GENERAL FUND DEPARTMENT SUBTOTAL: | 2,226,789,049 | 1,690,766,062 | 536,022,987 | 2,295,497,179 | 1,762,372,808 | 533,124,371 | 68,708,130 | 71,606,746 | (2,898,616) |
| CONTINGENCIES | 97,202,694 | - | 97,202,694 | 49,334,057 | - | 49,334,057 | (47,868,637) | - | (47,868,637) |
| RESERVE CONTRIBUTIONS | 7,481,825 | - | 7,481,825 | 2,000,000 | - | 2,000,000 | (5,481,825) | - | (5,481,825) |
| BOARD ELECTIVE PROJECTS | 14,830,389 | - | 14,830,389 | 16,124,895 | - | 16,124,895 | 1,294,506 | - | 1,294,506 |
| FINANCIAL ADMINISTRATION APPROPRIATION | 7,500,000 | 7,500,000 | - | 7,500,000 | 7,500,000 | - | - | - | - |
| OPERATING TRANSFERS OUT | 42,523,203 | - | 42,523,203 | 28,800,675 | - | 28,800,675 | (13,722,528) | - | (13,722,528) |
| TOTAL COUNTYWIDE ALLOCATED COSTS: | 169,538,111 | 7,500,000 | 162,038,111 | 103,759,627 | 7,500,000 | 96,259,627 | (65,778,484) | - | (65,778,484) |
| GRAND TOTAL: | 2,396,327,160 | 1,698,266,062 | 698,061,098 | 2,399,256,806 | 1,769,872,808 | 629,383,998 | 2,929,646 | 71,606,746 | (68,677,100) |

NOTE: Total countywide allocated costs on this schedule includes appropriation for Financial Administration. This appropriation is offset in the countywide discretionary revenue schedule on the net interest earnings line.



GENERAL FUND – FIVE YEAR OPERATING FORECAST, 2009-10 THROUGH 2013-14

Long-term financial planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. The County creates a five-year operating forecast for the purpose of providing the Board of Supervisors with a framework for use in decision-making in order to maintain and continue the fiscal health of the County.

The forecast is updated annually and is not a budget. It is a question of priorities, not fiscal capacity. The forecast identifies key factors that affect our fiscal outlook and assesses how difficult balancing the budget may be in the future. It helps us to understand the fiscal challenges facing the County as we make trade-offs between funding priorities.

The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on trend analysis, specific circumstances and present level of services provided by the County. This forecast is not a prediction of what is certain to happen but rather a projection of what will occur in the absence of any mitigating actions. As such, this plan highlights significant issues or problems that must be addressed in order to maintain a structurally balanced budget.

Significant Issues Impacting the General Fund:

- Revenue Growth has slowed dramatically due to skyrocketing foreclosures and unemployment that has affected home prices, home values and retail spending. This has significantly impacted the County's property tax revenue as well as the County's sales tax revenue, including Prop 172.
- Salaries and Benefits are projected to increase. This increase is based on current negotiated agreements between the County and employee representation units.
- Retirement costs are anticipated to increase due to market losses incurred by the County's pension system.
- Additional Staffing for the Adult Detention Center Expansion will require a significant amount of financing beginning in 2011-12.

| | (In Millions) | | | | |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Forecast | | | | |
| | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> |
| Beginning Financing Available | \$ 4.2 | \$ - | \$ - | \$ - | \$ - |
| <u>Sources and Needs</u> | | | | | |
| Revenue Growth (Shortfall) | (60.4) | (11.3) | 12.0 | 12.2 | 12.5 |
| Increase in Costs: | | | | | |
| Salaries and Benefits | (16.1) | (21.8) | (24.8) | (26.2) | (27.4) |
| Retirement | (4.0) | (15.7) | (15.7) | (17.5) | (22.1) |
| Adult Detention Center Staffing | - | - | (15.5) | (18.7) | - |
| Other Costs | (1.8) | (1.6) | (2.3) | (2.3) | (2.8) |
| Ending Financing Available | <u>\$ (78.1)</u> | <u>\$ (50.4)</u> | <u>\$ (46.3)</u> | <u>\$ (52.5)</u> | <u>\$ (39.8)</u> |

Due to the projected budget gaps, the uncertain revenue outlook, and operating cost pressures, the County Administrative Office developed a strategic mitigation plan in order to maintain a structurally balanced budget for 2009-10. This strategic mitigation plan had input from county departments and county employees and is detailed in the County Budget Overview's 'General Fund Budget Process' section of this budget book. The process of developing this plan began by identifying several critical areas which have, or are expected to have, an impact on the financial condition of the County in 2009-10. Once the critical issues were identified, specific mitigations were implemented. The development of mitigation plans for the future years is in progress. The County will adhere to policy, make the necessary tough decisions, and adopt a structurally balanced budget each fiscal year.



CONTINGENCIES

The County Contingencies includes the following elements:

Contingencies**Mandatory Contingencies**

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriation.

Uncertainties

Any unallocated financing available from current year sources (both ongoing and one-time) that has not been set-aside and any unallocated fund balance carried over from the prior year, is budgeted in the contingencies for uncertainties. Final budget action includes a provision that allocates any difference between estimated and final fund balance to this contingencies account.

Ongoing Set-Aside Contingencies

The county budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of financing that have been targeted for future ongoing program needs.

| | 2008-09 Final Budget | 2008-09 Mid-Year Approved Contributions/ (Uses) | 2009-10 Approved Contributions / (Uses) | 2009-10 Final Budget |
|---|-------------------------------------|--|--|-------------------------------------|
| Contingencies | | | | |
| Mandatory Contingencies (1.5% of Locally Funded Appropriation) | 8,960,043 | | (519,493) | 8,440,550 |
| Uncertainties | 49,342,651 | (26,914,194) | (5,534,950) | 16,893,507 |
| Ongoing Set-Aside Contingencies | | | | |
| Future Retirement Costs | 7,900,000 | (7,900,000) | - | - |
| Jail Expansion | 7,000,000 | (7,000,000) | - | - |
| Future Space Needs | 20,000,000 | (20,000,000) | 24,000,000 | 24,000,000 |
| Juvenile Maximum Security | 4,000,000 | (4,000,000) | - | - |
| Total Contingencies | 97,202,694 | (65,814,194) | 17,945,557 | 49,334,057 |



2008-09 Mid-Year Changes to Contingencies for Uncertainties

In response to the anticipated continued decline in discretionary revenues in 2009-10, the Board approved an 8% reduction in discretionary funding to departments (except Law and Justice and Human Services) in 2008-09. Most of this 8% reduction was met by departments absorbing increased salary and benefit costs granted to employees in 2008-09 after the final budget was adopted. The portion not met by absorbing increased employee costs was \$5,379,141. This amount was achieved by reducing spending authority for general fund departments thereby increasing ongoing sources in the Contingencies for Uncertainties by \$5,379,141.

For 2008-09 mid-year Board actions authorized the use of \$32,293,335 of the Contingencies for Uncertainties. These allocations include:

- \$10,000,000 in one-time funding to finance additional work on the High Desert Government Center Project.
- \$6,968,151 in one-time funding to purchase and furnish a new office building in Rancho Cucamonga. As a result of this purchase, ongoing savings of \$6,642 was added to the Contingencies for Uncertainties due to the elimination of lease costs for departments vacating leased space to relocate in the new building.
- \$4,665,013 in ongoing funding for increased salary and benefit costs for Law and Justice and Human Services departments granted to employees after the final budget was adopted.
- \$3,041,879 in ongoing funding to restore new positions and reclassifications to departments that were removed at the time the 2008-09 budget was adopted to allow for further analysis of the necessity of these positions and reclassifications.
- \$2,700,000 in one-time funding to pay a settlement with LodgeMakers v. County of San Bernardino.
- \$2,500,000 in one-time funding to finance a contract with the Inland Empire Economic Recovery Corporation.
- \$1,250,000 in ongoing funding to increase priority policy needs funding by \$250,000 for each district.
- \$500,000 in one-time funding for legal services relating to the possible removal of the Assessor.
- \$300,000 in one-time funding for legal costs related to the LodgeMakers Settlement.
- \$100,000 in one-time funding for increased legal services relating to litigation concerning a conditional use permit.
- \$79,704 for fee waiver authority for Grass and Slide Fires to CSA 79 and County Fire.
- \$75,000 in one-time funding to finance a purchase order for consultant services on a project to entitle approximately 1,200 acres of property in Rancho Cucamonga.
- \$49,000 in one-time funding for leased office space in Needles.
- \$25,000 in one-time funding for expenses related to the Sheriff's Benefit Rodeo.
- \$24,230 in ongoing funding to finance an increase for per diem nursing staff working for the Sheriff's department.
- \$22,000 in ongoing funding for oral surgery services at the West Valley Detention Center.

The Board also earmarked \$500,000 in one-time funding to provide support for the Performing Arts Facilities Expansion Project at California State University San Bernardino in the event they are successful in their grant application for the proposed project.



2008-09 Mid-Year Changes to Ongoing Set-Aside Contingencies

County Budget Financing Policy 02-09 requires that remaining balances in the ongoing set-asides be transferred to the corresponding reserve account at the end of the fiscal year.

- Future Retirement Costs Ongoing Set-Aside:

On May 19, 2009, the Board of Supervisors directed remaining balances in the ongoing set-asides be transferred to the corresponding reserve account per County Budget Financing Policy 02-09. The unspent amount transferred equaled \$7.9 million.

- Jail Expansion Ongoing Set-Aside:

On March 3, 2009 the Board approved the use of the entire \$7.0 million set-aside to provide funding for the Central Valley Juvenile Detention and Assessment Center Project.

- Future Space Needs Ongoing Set-Aside:

On March 3, 2009 the Board approved the use of \$9.2 million of this set-aside to provide funding for the Central Valley Juvenile Detention and Assessment Center Project. On June 2, 2009 the Board approved the use of the remaining unallocated amount of \$10.8 million for the construction of the High Desert Government Center.

- Juvenile Maximum Security Ongoing Set-Aside:

On March 3, 2009 the Board approved the use of the entire \$4.0 million set-aside to provide funding for the Central Valley Juvenile Detention and Assessment Center Project.

2009-10 Mandatory Contingencies

The base allocation to the mandatory contingency budget of \$8,440,550 is slightly above the amount required pursuant to Board policy, based on projected locally funded appropriation of \$560.6 million.

2009-10 Ongoing Set-Aside Contingencies

As seen in the Reserves section, the county has set aside a significant amount of one-time money that can assist the County temporarily for unforeseen increases in expenditures or reductions in revenues. Beginning in the 2005-06 fiscal year the County also began to set-aside portions of ongoing funding for future use. In the 2009-10 final budget, the County has set aside ongoing revenue sources to finance future ongoing expenditures for future spaces needs. Previously there were a total of four different areas that had ongoing set-asides as discussed below:

- Future Retirement Costs Ongoing Set-Aside:

For the past few years, the County has seen significant retirement cost increases and predicts additional future increases based on unfunded liabilities that have occurred primarily as a result of lower than expected market returns. Beginning in the 2004-05 fiscal year, the Board had set-aside \$7.9 million in ongoing revenue sources to assist in financing these cost increases at a future date. As part of the County's strategic mitigation plan for 2009-10, this ongoing set-aside is eliminated and this amount is allocated to mitigate the impact of increased retirement costs due to market losses incurred by the County's pension system.

- Jail Expansion Ongoing Set-Aside:

Beginning in the 2004-05 fiscal year, the Board had set-aside \$7.0 million of ongoing money to address the future needs of the County's growing population. In 2006-07, the Board redirected this set-aside to a specific use - increased jail space. As part of the County's strategic mitigation plan for 2009-10, this ongoing set-

aside is eliminated and the amount is allocated to mitigate the impact of discretionary revenue losses caused by the current mortgage and economic crisis.

- Future Space Needs Ongoing Set-Aside:

Beginning in 2006-07, the Board has set-aside \$20.0 million to address future space needs. This is based on a building analysis completed by staff. The space needs of the county continue to grow based on expansion of the area and the programs that service the county's population. In the 2009-10 final budget, this set-aside is increased by \$4.0 million to a total of \$24.0 million. The additional \$4.0 million is funded by the elimination of the ongoing set-aside for Juvenile Maximum Security that is no longer required as the Central Valley Juvenile Detention and Assessment Center Project has been fully funded.

- Juvenile Maximum Security Ongoing Set-Aside:

Beginning in 2007-08, the Board has set-aside \$4.0 million for the construction of a new Central Juvenile Hall. This \$4.0 million was previously included in the \$19.3 million ongoing contribution to the Capital Improvement Program. In the 2009-10 final budget, this set-aside is eliminated as the Central Valley Juvenile Detention and Assessment Center Project has been fully funded.

RESERVES

The county has a number of reserves (designations) that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a county policy to provide guidelines and goals for reserve levels. That policy calls for the county's general purpose reserve to equal 10% of locally funded appropriation. The Board of Supervisors also established specific purpose reserves to temporarily help meet future needs.

| | 6/30/08 Ending Balance | Approved 2008-09 | | 6/30/09 Ending Balance | Approved 2009-10 | | 6/30/10 Estimated Balance |
|----------------------------------|------------------------------|------------------|--------------|------------------------------|------------------|-----------------|---------------------------------|
| | | Contributions | Uses | | Contributions | Uses | |
| General Purpose Reserve | 57,217,492 | 2,516,125 | | 59,733,617 | - | | 59,733,617 |
| Specific Purpose Reserves | | | | | | | |
| Future Space Needs | 37,713,000 | | (5,832,545) | 31,880,455 | 24,000,000 (1) | | 55,880,455 |
| Retirement | 38,600,000 | 7,900,000 | | 46,500,000 | - | | 46,500,000 |
| Medical Center Debt Service | 32,074,905 | | | 32,074,905 | | | 32,074,905 |
| Jail Expansion | 21,500,000 | - | (21,500,000) | - | - | | - |
| Teeter | 17,747,201 | 6,962,724 | | 24,709,925 | | | 24,709,925 |
| Juvenile Maximum Security | 13,941,206 | 3,944,454 | (17,885,660) | - | - | | - |
| Moonridge Zoo | 4,750,000 | 1,000,000 | (5,750,000) | - | - | | - |
| Capital Projects | 4,000,000 | | | 4,000,000 | | | 4,000,000 |
| Insurance | 3,000,000 | | | 3,000,000 | | | 3,000,000 |
| High Desert Fire Station | - | | | - | 2,000,000 | | 2,000,000 |
| Restitution | 1,790,025 | | (120,000) | 1,670,025 | | | 1,670,025 |
| Electronic Voting | 370,000 | | (95,000) | 275,000 | | (275,000) | - |
| Business Process Improvement | 4,390,033 | - | (2,243,054) | 2,146,979 | | (1,717,545) (2) | 429,434 |
| Justice Facilities | 119,316 | 21,246 | - | 140,562 | - | | 140,562 |
| Total Specific Purpose | 179,995,686 | 19,828,424 | (53,426,259) | 146,397,851 | 26,000,000 | (1,992,545) | 170,405,306 |
| Total Reserves | 237,213,178 | | | 206,131,468 | | | 230,138,923 |

(1) Amount represents on-going set-aside that is included in the 2009-10 Final budget in the appropriation for contingencies, and not budgeted as Contributions to Reserves. If this amount remains unspent/unallocated at the end of the 2009-10 fiscal year it will be transferred to the corresponding specific purpose reserve per County policy.

(2) Amount represents funding for projects that are carried over from prior years. There are no new projects approved in the 2009-10 budget.



2008-09 Contributions

- \$2.5 million contribution to the General Purpose Reserve based on the 2008-09 final budget for countywide discretionary revenue which finances locally funded appropriation.
- \$7.9 million contribution to the Retirement Reserve representing the 2008-09 ongoing set-aside that remained unspent at the end of the 2008-09 fiscal year.
- \$7.0 million contribution to the Teeter Reserve to bring the balance to the legally required amount.
- \$3.9 million contribution to the Juvenile Maximum Security Reserve from Probation Department savings in 2007-08.
- \$1.0 million contribution to the Moonridge Zoo Reserve.
- \$21,246 contribution to the Justice Facilities Reserve funded by unspent amounts on completed projects.

2008-09 Uses

- \$5.8 million use of the Future Space Needs Reserve. On June 2, 2009 the Board approved this allocation for construction of the High Desert Government Center.
- \$21.5 million use of the Jail Expansion Reserve. On March 3, 2009 the Board approved the use of the entire reserve amount to provide funding for the Central Valley Juvenile Detention and Assessment Center Project.
- \$17.9 million use of the Juvenile Maximum Security Reserve. On March 3, 2009 the Board approved the use of the entire reserve amount to provide funding for the Central Valley Juvenile Detention and Assessment Center Project.
- \$5.8 million to fund the design, construction and relocation of the Moonridge Animal Park.
- \$120,000 from the Restitution Reserve to fund legal services related to the recovery of funds involving corruption activities of former employees, officers and private individuals.
- \$95,000 from the Electronic Voting Reserve to fund the Registrar of Voters share of the Information Services Department – Tenant Improvement Project.
- \$2.2 million in uses from the Business Process Improvement Reserve. There were a total of \$4.1 million in uses approved in the 2008-09 budget, including prior year carryover projects. Only \$2.2 million of the approved reserve uses had been allocated to project expenditures in 2008-09.

2009-10 Approved Contributions and Uses

For 2009-10 the General Purpose Reserve remains unchanged. Because locally funded appropriation are projected to decrease in 2009-10, no increase is proposed. This will maintain the balance of the General Purpose Reserve at \$59.7 million.

A new reserve is established in the 2009-10 final budget. The new High Desert Fire Station Reserve is funded by an initial contribution of \$2.0 million. A \$0.3 million use of the Electronic Voting System reserve is used to assist in the funding of 3 major elections in 2009-10. \$1.7 million in uses of the Business Process Improvement Reserve reflect funding of projects approved in prior years that have not yet been allocated to project expenditures. No new uses of the Business Process Improvement Reserve were approved in the 2009-10 final budget.

The chart below shows recent history of the County Reserve levels.

| County Reserves History | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Year End Actual Balances | | | | | | Adopted |
| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Total General Purpose Reserve | 37.2 | 41.7 | 52.5 | 57.2 | 59.7 | 59.7 |
| Specific Purpose Reserves | | | | | | |
| Future Space Needs | - | - | 19.6 | 37.7 | 31.9 | 31.9 (2) |
| Retirement | 7.0 | 14.9 | 30.7 | 38.6 | 46.5 | 46.5 |
| Medical Center Debt Service | 32.1 | 32.1 | 32.1 | 32.1 | 32.1 | 32.1 |
| Jail Expansion (formerly Future Financing) | - | 7.0 | 16.4 | 21.5 | - | - |
| Juvenile Maximum Security | 1.5 | 5.7 | 9.4 | 13.9 | - | - |
| Teeter | 19.3 | 17.7 | 17.7 | 17.7 | 24.7 | 24.7 |
| Moonridge Zoo | - | - | 3.8 | 4.8 | - | - |
| Capital Projects Reserve | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Insurance | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| High Desert Fire Station | - | - | - | - | - | 2.0 |
| Restitution | 1.6 | 1.9 | 1.9 | 1.8 | 1.7 | 1.7 |
| Electronic Voting System | 0.5 | 0.5 | 0.5 | 0.4 | 0.3 | - |
| Business Process Improvement | 3.0 | 2.5 | 0.6 | 4.4 | 2.1 | 0.4 |
| Justice Facilities | 1.3 | 0.6 | 0.1 | 0.1 | 0.1 | 0.1 |
| Museum's Hall of Paleontology | 1.7 | 3.7 | - | - | - | - |
| L&J Southwest Border Prosecution Initiative | 1.9 | 1.7 | - | - | - | - |
| Equity Pool | 3.5 | 1.5 | - | - | - | - |
| Bark Beetle | 1.7 | - | - | - | - | - |
| Total Specific Purpose Reserves (1) | 82.0 | 96.9 | 139.7 | 180.0 | 146.4 | 146.4 |
| Total Reserves (1) | 119.2 | 138.6 | 192.2 | 237.2 | 206.1 | 206.1 |

(1) Totals may not add due to rounding.

(2) The Adopted 2009-10 column of this schedule includes only those reserve allocations included in the final budget.

Amount differs from the Total Reserves detail schedule presented on the previous page. The Total Reserves detail schedule presents estimated June 30, 2010 reserve levels, including the transfer of the projected unspent ongoing set-aside to the Future Space Needs reserve prior to fiscal year-end.



COUNTY DEBT POLICY

The County has a separate policy that covers the issuance, management and administration of the County's portfolio of long term obligations. The policy requires, in general, that:

1. Debt will not be used to finance ongoing operational costs.
2. Whenever possible, the County will pursue alternative sources of funding in order to minimize the level of debt.
3. That whenever practical, voter approval on the method of debt shall be utilized.

More specifically, the policy includes guidelines on the following elements:

1. The policy allows for the issuance of variable rate obligations to the extent that they do not exceed 25% of total debt outstanding.
2. The policy details the guidelines to be followed prior to the issuance of variable rate debt including feasibility, structure, and annual analysis to determine advisability of conversion to fixed rate debt.
3. The policy requires that the term of bonds be no longer than the economic useful life of the property, or in excess of available payment streams.
4. The policy requires annual review of the County's portfolio of long term obligations to initiate any type of restructuring, refunding, or refinancing beneficial to the County.
5. The policy outlines requirements for the investment of bond proceeds.
6. The policy outlines the responsibilities of the County's Debt Advisory Committee, which is a formal committee of the Board of Supervisors. These responsibilities include oversight and review of all debt policy and debt issuance activities and to make recommendations to the Board of Supervisors regarding appropriate actions on debt matters.

CASH FUNDED PROJECTS

As detailed above, County policy requires prudent management of liabilities and, whenever possible, alternative sources of funding in order to minimize the level of debt. In the past several years, the County has satisfied certain portions of its capital needs without the issuance of long term obligations. This includes the major projects listed below:

- Construction of the High Desert Juvenile Detention Center, financed with a combination of state grant monies and the County's cash.
- The cash purchase of the Adelanto Adult Detention Facility.
- The cash purchase of an office building in downtown San Bernardino.
- The cash funding of a major remodel of the 6th floor of the Arrowhead Regional Medical Center to convert it from administrative space to a medical/surgery wing. This project is scheduled to be completed in September 2009.
- The cash funding of a new medical office building at the Arrowhead Regional Medical Center. This project is scheduled to be completed in September 2010.
- The cash funding of a new High Desert Government Center in Hesperia. This project is scheduled to be completed in September 2010.
- The cash funding of the new Central Valley Juvenile Detention and Assessment Center. This project is scheduled to be completed in August 2011.



COUNTY BUDGET FINANCING POLICY AS IT RELATES TO LONG-TERM OBLIGATIONS

The County's Budget Financing Policy includes policies related to long-term obligations of the County. These include:

1. Retirement System Funding - Requires that the Board first consider setting aside any savings related to negative Unfunded Accrued Actuarial Liability to fund a reserve for reduction of any existing pension obligation bonds or as a hedge against future interest rate increases.
2. Use of Variable Rate Interest Savings - Requires that when amounts budgeted for variable rate interest expense on long-term obligations exceeds actual variable rate interest expense for the year, that such savings will be used in the succeeding fiscal year to reduce the outstanding principal of long-term obligations. This applies only to debt service paid from discretionary revenue sources of the general fund. It is normal for budgeted amounts to exceed actual amounts because debt covenants require conservative budgeting of variable rate interest expense.
3. Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt - Requires that any County benefit realized on interest rate swap agreements, when there is a potential mismatch between swap payments and debt service payments, be retained as a contingency to offset the County's share of increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million per interest rate swap agreement.

COUNTY LONG-TERM OBLIGATIONS

The following discussion relates to long-term obligations backed by the full faith and credit of the County's general fund⁽¹⁾. Other long-term obligations, such as those of the County's redevelopment agency and special districts are included in separate budget documents prepared for those entities.

The County's outstanding long-term debt obligations have been issued for the following purposes:

- To finance construction and improvement of County structures.
- To refinance County pension obligations.
- To finance improvements at the County owned landfills.

The County finances such projects with a variety of debt instruments. For construction and improvement projects, and for the improvement projects at the County landfills, the County has utilized lease obligations with a non-profit public benefit corporation. Such obligations are in the form of Certificates of Participation. For pension obligations the County has issued Pension Obligation Bonds.

(1) In June of 2007 the County privately placed \$18.4 million of revenue bonds for Courthouse improvements. These bonds are secured solely by a surcharge on civil filings that is collected by the local courts. These bonds are not backed by the County's general fund and are, therefore, not included in this discussion. For more information on the surcharge revenues see the 'Courthouse Seismic Surcharge' budget unit in the Law and Justice section of this document.



As of June 30, 2009, the County's long term obligations include obligations issued to finance or partially finance the following projects:

- Construction and equipping of the Arrowhead Regional Medical Center
- Construction of the West Valley Detention Center
- Construction of the Foothill Law and Justice Center and hangars at the Chino Airport
- Construction of the County Government Center
- Construction of the West Valley Juvenile Detention Center
- Retrofit of lighting and HVAC systems at various County facilities
- Finance of down payment on a preschool building in Ontario
- Construction of the Glen Helen Pavilion
- Improvement projects at County landfills
- Refinancing of a portion of the County's Unfunded Accrued Actuarial Liability in the years 1995 and 2004.

A summary of long-term obligations of the County, which includes a reference to the section of the book where the obligation is budgeted, is included on the following pages.

County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

| Fiscal Year Ending June 30 | Pension Obligation Bonds | | | | | | Certificates of Participation | | | |
|-------------------------------------|---|-------------|--|-------------|---|-------------|---|-----------|---|-----------|
| | 2008 | | 2004 | | 1995 | | 2008 Glen Helen Pavilion Series B ⁽¹⁾ | | 2008 Glen Helen Pavilion Series A ⁽¹⁾ | |
| | Pension Obligation Bonds \$160,900,000 | | Pension Obligation Bonds ⁽¹⁾ \$463,895,000 | | Pension Obligation Bonds \$386,265,591 | | \$5,695,000 | | \$8,860,000 | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 | 705,000 | 9,664,960 | 7,080,000 | 17,564,609 | 32,180,000 | 6,618,739 | 90,000 | 379,565 | 620,000 | 387,748 |
| 2011 | 735,000 | 9,621,616 | 9,245,000 | 17,171,047 | 36,615,000 | 4,222,399 | 70,000 | 374,580 | 605,000 | 356,779 |
| 2012 | 805,000 | 9,575,262 | 11,570,000 | 16,645,231 | 41,505,000 | 1,471,352 | 95,000 | 369,080 | 610,000 | 327,547 |
| 2013 | 880,000 | 9,524,543 | 14,100,000 | 15,973,653 | 13,160,377 | 32,059,623 | 75,000 | 362,404 | 630,000 | 296,578 |
| 2014 | 865,000 | 9,472,019 | 16,950,000 | 15,139,811 | 12,791,883 | 34,788,117 | 60,000 | 358,606 | 595,000 | 268,140 |
| 2015 | 920,000 | 9,418,290 | 20,020,000 | 14,127,066 | 12,401,627 | 37,653,373 | 75,000 | 353,713 | 595,000 | 239,643 |
| 2016 | 1,035,000 | 9,359,445 | 23,355,000 | 12,918,239 | 12,035,880 | 40,619,120 | 60,000 | 349,895 | 570,000 | 211,078 |
| 2017 | 1,060,000 | 9,296,385 | 27,025,000 | 11,491,751 | 11,673,496 | 43,711,504 | 40,000 | 345,001 | 590,000 | 181,698 |
| 2018 | 1,130,000 | 9,230,466 | 31,015,000 | 9,825,205 | 11,361,080 | 46,888,920 | 560,000 | 324,094 | 560,000 | 154,472 |
| 2019 | 19,990,000 | 8,594,754 | 16,235,000 | 8,453,186 | 11,054,980 | 50,205,020 | 600,000 | 284,759 | 555,000 | 127,253 |
| 2020 | 15,860,000 | 7,515,669 | 25,000,000 | 7,179,750 | 10,753,631 | 53,666,369 | 670,000 | 240,682 | 505,000 | 101,840 |
| 2021 | 20,880,000 | 6,409,795 | 25,000,000 | 5,584,250 | 10,507,053 | 57,227,947 | 710,000 | 193,064 | 515,000 | 76,082 |
| 2022 | 26,200,000 | 4,992,687 | 25,000,000 | 3,988,750 | 9,790,585 | 58,119,415 | 755,000 | 143,494 | 470,000 | 53,589 |
| 2023 | 31,875,000 | 3,244,630 | 25,000,000 | 2,393,250 | - | - | 830,000 | 88,282 | 445,000 | 31,099 |
| 2024 | 37,960,000 | 1,142,596 | 25,000,000 | 797,750 | - | - | 875,000 | 30,211 | 415,000 | 9,906 |
| 2025 | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - |
| Totals | 160,900,000 | 117,063,114 | 301,595,000 | 159,253,545 | 225,830,591 | 467,251,899 | 5,565,000 | 4,197,430 | 8,280,000 | 2,823,452 |

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2009-10 fiscal year.

(2) West Valley Detention Center



County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

| Certificates of Participation | | | | | | | | | | Total Outstanding General Fund Debt | Fiscal Year Ending June 30 |
|--|-----------|--|------------|---|-----------|--|-----------|---|-----------|--|-------------------------------------|
| 2002 Justice Center Refunding \$68,100,000 | | 2001/02 WCVD Refunding ⁽²⁾ \$94,920,000 | | 1997 Public Imp. Financing \$17,790,000 | | 1996 Govt Center Refinancing ⁽¹⁾ \$39,600,000 | | 1996 WVDC Refinancing ⁽¹⁾⁽²⁾ \$9,200,000 | | | |
| Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | | |
| 4,790,000 | 1,704,800 | 5,720,000 | 3,331,020 | 870,000 | 446,603 | 2,200,000 | 646,020 | 300,000 | 238,920 | 95,537,983 | 2010 |
| 5,025,000 | 1,513,200 | 5,970,000 | 3,073,020 | 910,000 | 402,538 | 2,300,000 | 545,625 | 300,000 | 228,060 | 99,283,863 | 2011 |
| 5,155,000 | 1,312,200 | 6,225,000 | 2,805,270 | 370,000 | 370,538 | 2,400,000 | 440,865 | 300,000 | 217,200 | 102,569,544 | 2012 |
| 5,475,000 | 1,106,000 | 6,490,000 | 2,526,945 | 390,000 | 351,538 | 2,500,000 | 331,740 | 300,000 | 206,340 | 106,739,741 | 2013 |
| 5,585,000 | 887,000 | 6,800,000 | 2,220,884 | 405,000 | 331,663 | 2,600,000 | 218,250 | 300,000 | 195,480 | 110,831,851 | 2014 |
| 5,950,000 | 607,750 | 7,145,000 | 1,862,341 | 430,000 | 310,788 | 2,500,000 | 109,125 | 400,000 | 182,207 | 115,300,922 | 2015 |
| 6,205,000 | 310,250 | 7,510,000 | 1,484,761 | 450,000 | 288,225 | 2,500,000 | - | 400,000 | 167,727 | 119,829,619 | 2016 |
| | | 7,900,000 | 1,087,081 | 470,000 | 264,075 | - | - | 400,000 | 153,247 | 115,689,237 | 2017 |
| | | 8,305,000 | 668,031 | 495,000 | 238,744 | - | - | 400,000 | 138,767 | 121,294,778 | 2018 |
| | | 8,735,000 | 226,531 | 525,000 | 211,969 | - | - | 400,000 | 124,287 | 126,322,738 | 2019 |
| | | - | - | 460,000 | 186,113 | - | - | 400,000 | 109,807 | 122,648,860 | 2020 |
| | | - | - | 485,000 | 161,306 | - | - | 400,000 | 95,327 | 128,244,824 | 2021 |
| | | - | - | 510,000 | 135,188 | - | - | 500,000 | 78,433 | 130,737,141 | 2022 |
| | | - | - | 535,000 | 107,756 | - | - | 500,000 | 60,333 | 65,110,350 | 2023 |
| | | - | - | 565,000 | 78,881 | - | - | 500,000 | 42,233 | 67,416,578 | 2024 |
| | | - | - | 595,000 | 48,431 | - | - | 500,000 | 24,133 | 1,167,565 | 2025 |
| | | - | - | 625,000 | 16,406 | - | - | 500,000 | 6,033 | 1,147,440 | 2026 |
| | | - | - | - | - | - | - | - | - | - | 2027 |
| | | - | - | - | - | - | - | - | - | - | 2028 |
| | | - | - | - | - | - | - | - | - | - | 2029 |
| 38,185,000 | 7,441,200 | 70,800,000 | 19,285,885 | 9,090,000 | 3,950,759 | 17,000,000 | 2,291,625 | 6,800,000 | 2,268,533 | 1,629,873,033 | Totals |



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

| Fiscal Year Ending June 30 | Certificates of Participation | | | | | |
|-------------------------------------|-------------------------------|------------|-----------------------|------------|-----------------------|------------|
| | 2008 Solid Waste | | County Medical Center | | County Medical Center | |
| | Series B ⁽¹⁾ | | Series 1998 | | Series 1996 | |
| | \$74,390,000 | | \$176,510,000 | | \$65,070,000 | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 | 6,405,000 | 4,453,563 | 1,100,000 | 7,329,949 | 325,000 | 3,249,806 |
| 2011 | 6,915,000 | 3,995,678 | 1,200,000 | 7,281,770 | 340,000 | 3,232,350 |
| 2012 | 7,470,000 | 3,501,639 | 9,200,000 | 7,063,916 | 360,000 | 3,213,975 |
| 2013 | 8,045,000 | 2,967,926 | 9,600,000 | 6,670,103 | 380,000 | 3,194,550 |
| 2014 | 8,700,000 | 2,391,962 | 10,000,000 | 6,259,532 | 400,000 | 3,174,075 |
| 2015 | 9,385,000 | 1,769,970 | 10,500,000 | 5,830,108 | 420,000 | 3,152,550 |
| 2016 | 10,120,000 | 1,099,544 | 10,900,000 | 5,381,832 | 445,000 | 3,129,844 |
| 2017 | 10,920,000 | 376,820 | 6,400,000 | 5,019,440 | 465,000 | 3,105,956 |
| 2018 | - | - | 6,700,000 | 4,745,028 | 490,000 | 3,081,500 |
| 2019 | - | - | 8,700,000 | 4,422,436 | 515,000 | 3,056,375 |
| 2020 | - | - | 9,100,000 | 4,049,571 | 545,000 | 3,029,875 |
| 2021 | - | - | 7,500,000 | 3,701,842 | 570,000 | 3,002,000 |
| 2022 | - | - | 8,100,000 | 3,375,061 | 600,000 | 2,972,750 |
| 2023 | - | - | 8,400,000 | 3,029,427 | 630,000 | 2,942,000 |
| 2024 | - | - | 16,200,000 | 2,514,119 | 665,000 | 2,909,625 |
| 2025 | - | - | 16,900,000 | 1,820,757 | 695,000 | 2,875,625 |
| 2026 | - | - | 20,200,000 | 1,043,604 | 735,000 | 2,839,875 |
| 2027 | - | - | 14,810,000 | 310,232 | 7,120,000 | 2,643,500 |
| 2028 | - | - | - | - | 24,030,000 | 1,864,750 |
| 2029 | - | - | - | - | 25,280,000 | 632,000 |
| Totals | 67,960,000 | 20,557,102 | 175,510,000 | 79,848,728 | 65,010,000 | 57,302,981 |

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2009-10 fiscal year.

Budget Information:

The 2008 Series B Solid Waste Certificates of Participation are budgeted in the Public And Support Services Group section of this budget book, in the Solid Waste Management Division Operations Enterprise Fund.

The 1994, 1995, 1996 and 1998 Medical Center Certificates of Participation are budgeted in the Administrative/Executive Section of this budget book under County Administrative Office, Medical Center Lease Payments (Medical Center Enterprise Fund).



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

| Certificates of Participation | | | | Total Outstanding Enterprise Fund Debt | Fiscal Year Ending June 30 |
|---|------------|---|-------------|---|-------------------------------------|
| County Medical Center Series 1995 \$147,565,000 | | County Medical Center Series 1994 \$213,605,000 | | | |
| Principal | Interest | Principal | Interest | | |
| 9,705,000 | 5,369,475 | 3,480,000 | 9,405,300 | 50,823,093 | 2010 |
| 10,525,000 | 4,661,425 | 3,570,000 | 9,202,725 | 50,923,948 | 2011 |
| 3,245,000 | 4,187,588 | 3,775,000 | 9,000,738 | 51,017,855 | 2012 |
| 3,465,000 | 3,969,513 | 3,990,000 | 8,787,200 | 51,069,291 | 2013 |
| 3,705,000 | 3,736,488 | 4,205,000 | 8,561,838 | 51,133,894 | 2014 |
| 3,955,000 | 3,487,538 | 4,445,000 | 8,323,963 | 51,269,128 | 2015 |
| 4,225,000 | 3,221,688 | 4,695,000 | 8,072,613 | 51,290,520 | 2016 |
| 9,545,000 | 2,799,363 | 4,965,000 | 7,806,963 | 51,403,541 | 2017 |
| 10,140,000 | 2,211,425 | 5,235,000 | 7,526,463 | 40,129,415 | 2018 |
| 7,150,000 | 1,711,875 | 7,465,000 | 7,177,213 | 40,197,899 | 2019 |
| 7,560,000 | 1,307,350 | 7,880,000 | 6,755,225 | 40,227,021 | 2020 |
| 6,180,000 | 929,500 | 12,180,000 | 6,112,225 | 40,175,567 | 2021 |
| 6,720,000 | 574,750 | 12,570,000 | 5,340,250 | 40,252,811 | 2022 |
| 7,090,000 | 194,975 | 13,290,000 | 4,629,100 | 40,205,502 | 2023 |
| - | - | 14,090,000 | 3,876,150 | 40,254,894 | 2024 |
| - | - | 14,890,000 | 3,079,200 | 40,260,582 | 2025 |
| - | - | 13,060,000 | 2,343,225 | 40,221,704 | 2026 |
| - | - | 13,725,000 | 1,673,600 | 40,282,332 | 2027 |
| - | - | 13,675,000 | 1,005,694 | 40,575,444 | 2028 |
| - | - | 14,335,000 | 340,456 | 40,587,456 | 2029 |
| 93,210,000 | 38,362,950 | 175,520,000 | 119,020,138 | 892,301,899 | Totals |



EFFECTS OF EXISTING DEBT LEVELS ON CURRENT AND FUTURE OPERATIONS

Debt service on the Certificates of Participation and Pension Obligation Bonds referenced in the previous schedules will not negatively affect current or future operations of the County. In aggregate, current required debt service expenditures remain relatively level for all fiscal years through 2022-23 and then drop significantly in succeeding years.

The County is currently contemplating the issuance of additional Certificates of Participation to fund construction and improvements related to the implementation of a master space plan. The 2009-10 budget allocates ongoing (annual) financing sources of \$24.0 million for future debt service related to the implementation of the County's master space plan.

OTHER LONG-TERM OBLIGATION

The Library has a note payable to the California Infrastructure and Economic Development Bank for funds borrowed to finance the construction of a library in Apple Valley. This note is backed by the full faith and credit of the general fund; however it is paid from and budgeted in the County Library budget, found in the Public and Support Services Group section of this budget book, outstanding principal amount of this note as of June 30, 2008, the last date for which audited information is available, was \$1,713,119. Annual debt service on this obligation is approximately \$109,000 per year through fiscal year 2030-31.

LEGAL DEBT LIMIT

The County's legal debt limit, which applies only to General Obligation Bonds, is 1.25% of Assessed Valuation. As of June 30, 2008, the last date for which audited information on outstanding debt is currently available, the County's Debt limit and legal debt margin were calculated as follows:

| | (1) | (1) | (1) | (1) |
|---------|-------------|------------|--------|-------------|
| Fiscal | Assessed | Legal | Bonded | Legal |
| Year | Valuation | Debt Limit | Debt | Debt Margin |
| 2007-08 | 175,896,103 | 2,198,701 | 1,695 | 2,197,006 |

(1) Amounts in thousands

Source: San Bernardino County Comprehensive Annual Financial Report for the year ended June 30, 2008

The County general fund has no outstanding General Obligation Bonds, and therefore no debt service payments for General Obligation Bonds are budgeted in this document. The Bonded Debt referred to in the table above is the debt of Special Districts and therefore is budgeted in a separate budget document.



CALIFORNIA GOVERNMENT CODE

Government Code Sections 29000 through 30200 provide the statutory requirements pertaining to the form and content of the State Controller's prescribed Line-Item Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing".

COUNTY CODE

Title 1. Division 2. Chapter 2:

Section 12.023:

The Administrative Officer shall be appointed by and serve at the pleasure of the Board of Supervisors.

Section 12.026:

Under the supervision of the Board of Supervisors, and subject to the approval and direction and control thereof, the Administrative Officer shall supervise the preparation of the annual County Budget. In the performance of this duty the Administrative Officer shall review all departmental and agency requests and all items in the proposed budget, including revenues, expenditures and reserves. The Administrative Officer shall submit his recommendation on the proposed budget to the Board of Supervisors.

BASIS OF ACCOUNTING

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued if their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include; principal and interest on long-term debt is recognized when due, prepaid expenses are reported as current period expenditures rather than allocated and accumulated unpaid vacation, sick leave and other employee benefits are reported in the period due and payable, rather than in the period earned by employees.

Proprietary fund types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.



BASIS OF BUDGETING**Governmental Funds:**

An operating budget is adopted each fiscal year for the governmental fund types in accordance with provisions of the County Budget Act. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental fund types are adopted with the following differences from GAAP:

Encumbrance accounting is employed in governmental funds. For budget purposes, outstanding encumbrances (which represent the unspent amounts of purchase orders and contracts funded in the fiscal year), are treated as expenditures in that fiscal year. This affects only the "actual" data that appears in that budget book. For GAAP purposes, in the fund financial statements of the CAFR, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities. Appropriation for these encumbrance commitments survive the expiration of the fiscal year to the extent that encumbrances exist. Encumbrances cancelled subsequent to the end of the fiscal year also cancel the underlying appropriation.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Proprietary Funds:

The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriation, their budgetary controls are the same as those of the governmental fund types. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.



COUNTY BUDGET AND FINANCE POLICIES

When building the 2009-10 budget, the County Administrative Office adhered to the County's four financing policies. A brief summary of the policies are presented below:

- 1) The **budget financing policy**, which states the annual operating budget will be structurally balanced when adopted and that one-time funds shall not be used to finance ongoing operational costs except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. The policy also states that when developing the annual budget, long range planning and revenue forecasting will be utilized. Additionally, ongoing contingency set-asides for future debt obligations or planned future ongoing program/operational needs may be incorporated into the budget. This policy also provides for increases in appropriation authority, as well as, transfers of appropriation between appropriation units. On February 10, 2009, this policy was amended to include revenue stabilization of property tax and Prop 172 revenue.
- 2) The **reserve and contingency policy**, which maintains an ongoing general purpose reserve equal to 10% of locally funded appropriation, coupled with an appropriated contingency fund equal to 1.5% of locally funded appropriation for the general fund. Additionally this policy includes maintaining contingencies targeted at not less than 10% of the current year's budgeted revenue for the restricted financing funds (Prop 172 and Realignment) and the Master Settlement Agreement fund. This policy also allows for a specific purpose reserve to be established and augmented using the respective department's annual local cost savings for large departmental projects. On February 10, 2009, this policy was amended to include the establishment of a Measure I Project Reserve.
- 3) The **debt policy**, which calls for the prudent management of liabilities, and wherever possible, the pursuit of alternative sources of funding in order to minimize the level of debt.
- 4) The **capital budget policy**, which ensures that the County maintains its public infrastructure in the most cost efficient manner. This policy provides the requirements for the approval process for capital project proposals specifically requiring the source of funding being identified for future staffing, operational, maintenance, and utility costs.

Detailed descriptions of each of these County financing policies are presented on the following pages.

Budget Financing Policy

The objective of the Budget Financing Policy is to help ensure the County has adequate resources to meet its basic financial obligations, and to serve as a vehicle to help the County achieve financial continuity and stability.

Balanced Budget

The annual operating budget will be structurally balanced upon adoption by the Board of Supervisors. Total revenues, including carry-over fund balances, will equal the total fund appropriation and reserves, unless it is within the context of a larger plan to balance ongoing revenues and expenses over a multi-year period, as detailed under "Use of one-time funding sources". Significant budget variances and recommended actions will be reported to the Board of Supervisors.

Long Range Planning

As part of the annual budget process, the County will prepare a multi-year forecast of financial operations for general fund programs based on current service levels and expected future changes to those programs or service levels. The County will project major revenues and expenditures of the general fund, and report significant findings and recommendations to the Board of Supervisors.

Appropriation Changes

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level (i.e., salaries and benefits, services and supplies, fixed assets, etc.) within budget units. Departments are expected to maintain expenditures within their budget authority as adopted by the Board of Supervisors.

Any increases in appropriation in a budget unit after adoption of the final budget require an item to be placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation within the same budget unit may be approved by the County Administrative Office or Board of Supervisors depending upon the appropriation unit. Exceptions are noted below:

Transfer of Salaries and Benefits Appropriation:

- Transfers out funded with local financing are not allowed.
- Transfers out not funded with local financing requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in from other available appropriation within the budget unit will be required if budgeted salaries and benefits appropriation is inadequate to meet expenditures.

Transfer of Fixed Asset Appropriation:

- Transfers out requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in, less than \$10,000 may be approved by the County Administrative Office.
- Transfers in, greater than \$10,000 requires an item to be placed on the agenda of the Board of Supervisors for approval.

Use of one-time funding sources

The appropriation of carryover fund balances and other one-time funding sources must be managed with care. Carry-over fund balance is most appropriately used to fund one-time expenses such as capital expenditures or start-up costs for new programs. Other types of one-time funding sources may also be used to fund one-time costs, or to supplement reserves. It is the policy of the County that one-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.

Ongoing Set-Asides

Ongoing set-asides represent ongoing sources of financing that have been targeted for future debt obligations or planned for future ongoing program/operational needs. Set-asides are appropriated as contingencies and approved during the formal adoption of the budget. Any balance of such contingency set-asides remaining at the end of the fiscal year shall be transferred into a corresponding general fund reserve account as of June 30. An agenda item is submitted annually for Board approval of such transfers.

Revenue Forecasting

Because of the complexity of the County budget, realistic projections of revenue are crucial to accurate budgeting. Revenue forecasting will be undertaken annually through a review of local historical revenue trends and analysis of federal, state, and local economic projections. Especially in regard to those revenues which tend to be most volatile and sensitive to changes in the economy, forecasting will involve analysis of economic, demographic, business cycle and other factors which might impact those revenues. These unpredictable revenues, including interest income and fees, will be estimated and budgeted conservatively. Revenue forecasts will not be based on straight-line assumptions.

Property Tax Revenue Stabilization

The County's discretionary revenue primarily comes from property taxes. Revenue growth rates can vary dramatically from year to year due to fluctuations in the economy and housing market. These fluctuations can result in insufficient revenue growth to fund increases in required governmental services during slow economic periods. This policy expands on the current policy of establishing ongoing set-asides for future County needs by appropriating anticipated property tax revenue growth, in excess of the average annualized rates of growth, to an ongoing revenue stabilization contingency set-aside. This ongoing revenue stabilization contingency set-aside will be made available for allocation in years when property tax revenue is anticipated to increase at a rate less than the average annualized rates of growth. For purposes of this paragraph, property tax revenue is defined as Current Secured (the current 1% general tax levy on locally assessed secured property on the assessment roll) and VLF/Property Tax Swap (the County's vehicle license fee adjustment amount as defined in

Section 97.70 of the Revenue and Taxation Code) received by the County general fund. The average annualized rates of growth will be calculated using the most recent fifteen years of data.

Any unspent money from this ongoing revenue stabilization contingency set-aside in a given year will be used to prepay or defease debt in the subsequent year, finance large County projects or finance any other one-time costs the Board of Supervisors may direct.

Prop 172 Revenue Stabilization

The County's Prop 172 Sales Tax revenue can only be used for local public safety activities and is allocated to the Sheriff, District Attorney and Probation Departments. Revenue growth rates can vary dramatically from year to year due to fluctuations in the economy and retail spending. These fluctuations can result in insufficient revenue growth to fund increases in required public safety activities. When this occurs, the County General Fund may temporarily allocate financial resources away from other important County programs as a backfill to offset the Prop 172 revenue shortfall. The County will set-aside any Prop 172 revenue in excess of the average annualized rates of growth, to an ongoing Prop 172 revenue stabilization contingency set-aside. This ongoing Prop 172 revenue stabilization contingency set-aside will only be used to fund Prop 172 base restoration or the cost to maintain current services in years when Prop 172 revenue is anticipated to increase at a rate less than the average annualized rates of growth. The average annualized rates of growth will be calculated using the most recent fifteen years of data. Any unspent money from this ongoing Prop 172 revenue stabilization contingency set-aside at the end of the fiscal year will be used as follows: first, to reduce the amount contributed by the County General Fund from its discretionary revenue sources until such time as the prior General Fund backfills of Prop 172 shortfalls are recouped, and second, to address one-time costs for public safety activities.

Fees

The County will review and adjust fees for service, as necessary, and adopt them as part of the annual budget process. In most cases, departmental fees should fully recover the costs of providing the service, including identified indirect or overhead costs.

Program Efficiency and Performance Measurement

Efficiency and economy in the delivery of County services is a top priority. The County will develop a program to integrate performance measures within the budget. County departments will be encouraged to make productivity improvements within their service delivery areas.

Grant Funding

The County will aggressively pursue opportunities for federal or state grant funding. An aggressive policy to pursuing opportunities for federal or state grants provides citizens with the assurance that the county is striving to obtain all state and federal funds to which it is entitled – thereby reducing dependence on local taxpayers' funds. However, prior to applying for, and accepting such intergovernmental aid, the County will consider the current and future implications of either accepting or rejecting the grant. That consideration shall include: 1) the amount of matching fund required; 2) in-kind services to be provided; 3) length of grant and whether the county is required to continue the service after the grant has ended; and 4) related operating expenses. The County shall also assess the merits of any individual grant program as if it were funded with local tax dollars.

Retirement System Funding

Careful management of financial resources to pay retirement costs is critical to the County's long-term financial health. Accordingly, for any savings resulting from negative Unfunded Accrued Actuarial Liability (UAAL) contribution rates, the Board will first consider setting aside these savings in a reserve for reduction of any existing pension obligation bonds or as a hedge against future rate increases.

Use of Variable Rate Interest Savings

Covenants in debt instruments require conservative budgeting of variable rate interest expense. When amounts budgeted for variable rate interest expense for such debt instruments exceed actual interest expense for the year, such savings will be used in the succeeding fiscal year to reduce the total outstanding principal amount of long-term debt. This policy will apply only to interest savings/debt instruments that are paid from discretionary revenue sources of the County's general fund.



Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt

It is the policy of the Board that any benefit realized on interest rate swap agreements where the swap payment received by the County and the actual debt service payment due from the County are not equal per the terms of the swap agreement be retained as a contingency to offset the County share of any future increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million dollars per interest rate swap agreement. The contingency will be retained in the fund that is responsible for payments under the swap.

Reserve and Contingency Policy

The objective of the Reserve and Contingency Policy is to help protect the County from unforeseen increases in expenditures or reductions in revenues, or from extraordinary events which might otherwise substantially harm the fiscal health of the County. In so doing, it is also intended to help avoid undue service level fluctuations during periods of economic instability.

General Fund – Reserves and Contingencies

The maintenance of an adequate operating reserve is essential to the financial strength and flexibility of the County, and operating reserves are considered an integral part of the County's financial structure. Such reserves and designations are considered to be those that have no identified contingent liability or specific future use. The County shall establish a general purpose reserve for the general fund targeted at 10% of locally funded appropriation.

The County will also maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting the County's operations which could not have been reasonably anticipated at the time the budget was prepared. The County shall place in contingencies no less than 1.5% of locally funded appropriation.

Restricted Financing Fund – Prop 172 – Contingencies

Restricted Proposition 172 revenues are used solely for public safety programs. The County has allocated using the funds solely for the financing of the Sheriff, District Attorney, and Probation departmental programs. The County will maintain an appropriated contingency to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this restricted financing stream which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Prop 172 funds shall be targeted at no less than 10% of the current year's budgeted Prop 172 revenue. Said contingencies shall be budgeted at the 10% level separately for each department receiving Prop 172 revenues.

Restricted Financing Funds – Realignment – Contingencies

Restricted Realignment funds are used in the financing of mental health, social services and health programs within the county. The County will maintain an appropriated contingency within these funds to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting these restricted financing funds which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Realignment funds shall be targeted at no less than 10% of the current year's budgeted Realignment revenues. Said contingencies shall be budgeted at the 10% level separately for each program receiving Realignment revenues.

Master Settlement Agreement Fund – Contingencies

Master Settlement Agreement funds are used to finance health related expenditures. The County will maintain an appropriated contingency within the Master Settlement Agreement fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this fund which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency within this Master Settlement Agreement Fund shall be targeted at no less than 10% of the current year's budgeted Master Settlement Agreement revenues.

Specific Project Reserves

The County will fund specific project reserves for large departmental projects through the use of the respective department's local cost savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period. In order to establish a specific project reserve, departments must submit the proposed project to the County Administrative Office for consideration. A thorough review of the proposed project and a complete analysis of the estimated local cost savings will be performed by the County Administrative Office prior to recommendation of the project to the Board of Supervisors. Upon approval of the project by the Board of Supervisors, departmental savings will be reserved as deemed necessary by the County Administrative Office for funding of the specific project at fiscal year end. Each fiscal year thereafter, this process will continue until the specific project is completed.

Measure I Project Reserve

The county will establish a Measure I Project Reserve to finance the "fair-share development contribution" of improvement costs for eligible transportation projects identified in the Regional Transportation Development Mitigation Plan (Plan). The Plan was developed to satisfy the provisions of the San Bernardino County Congestion Management Plan (CMP). Pursuant to Measure I 2010-2040, the County CMP was updated and adopted by the County Congestion Management Agency, San Bernardino Associated Governments (SANBAG).

Each year, during the Business Plan Workshop, the Board of Supervisors will specify priority projects from the Annual Measure I San Bernardino Valley Major Streets and Victor Valley Major Local Highways Five Year Plans developed by the Public Works Transportation Department, and recommend funding for the upcoming and future fiscal years. The county will contribute an amount to the reserve each year during the budget process, based upon available general fund financing and the Board of Supervisor's recommendation. Approved fiscal year funding for specific project phases will be transferred from the reserve and appropriated in the Transportation Department's budget at the time of budget adoption. This funding will be considered an advance of fair-share development contributions, and therefore cannot exceed the estimated fair-share development contributions for the project phase. Once fair-share development contributions are collected within the sub-area where the project is located, the general fund will be reimbursed.

In addition, once the annual budget is adopted, in order to draw funds from the Measure I Project Reserve, an item must be placed on the agenda of the Board of Supervisors.

Debt Policy

The objective of the County's Debt management policy is to minimize the amount of outstanding debt necessary to fulfill its infrastructure and economic development responsibilities, as well as to maintain the County's ability to incur present and future debt at minimal interest rates. The use of debt shall not endanger the County's ability to finance essential County services. The County recognizes that capital markets change and unforeseen circumstances may occur resulting in situations that are not covered by this policy. In such situations, flexibility to modify certain policy requirements may be necessary to achieve policy goals.

General

Debt will not be used to finance ongoing operational costs. However, debt may be used, where economically efficient, to reduce or eliminate current long-term operational liabilities. Whenever possible, the County shall pursue alternative sources of funding, when cost effective, in order to minimize the level of debt.

Types of Debt

General Obligation Bonds (property tax supported) usage will be evaluated first since it is the least costly debt. Public support will be assessed for ballot placement due to the costs involved for an election. Revenue Bonds/Certificates of Participation may be considered for use where General Obligation Bonds are not practical. Short-term borrowing, such as commercial paper, bond anticipation notes, and lines of credit, will be considered as interim funding sources in anticipation of long-term financing.

Issuance

The County may elect to issue bonds/certificates of participation as variable rate instruments to provide flexibility and/or to attempt to achieve interest savings. There are guidelines to be considered when issuing variable rate debt: 1) Economic and cash flow projections for variable rate issues shall be calculated at the then applicable fixed rate. 2) The County will first consider structuring the principal and interest repayments related to the entire project for which the debt will be issued on an approximately equal annual basis over the life of the borrowing. 3) Total variable rate debt shall be limited to no more than 25% of total debt outstanding. 4) No less than annually, analysis of each outstanding variable rate bond issue shall be undertaken to determine the advisability of converting the issue to fixed-rate debt. 5) Variable rate bonds shall be structured to protect the County to the greatest extent possible against cyclical interest rate fluctuations.

Management

County financial management policies shall be designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. In accordance with this principle, the following must be considered: 1) The County shall issue bonds with terms no longer than the economic useful life of the project. 2) The County shall obtain secured guarantees for bonds supported by a dedicated revenue source to the extent possible. 3) The County shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds. 4) The County shall invest the proceeds of bond / certificates of participation sales to conform to State and County requirements to maximize investment security and earnings. 5) The County shall establish affordability guidelines in order to preserve credit quality, which may be suspended for emergency purposes, or because of unusual circumstances.

Capital Budget Policy

The objective of the Capital Budget policy is to ensure that the County maintains its public infrastructure in the most cost efficient manner. The County's capital budget will include as complete, reliable, and attainable cost estimates as possible.

Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. The plan for funding projected staffing, operation and maintenance, and utility costs must be identified as part of the approval process for each capital project. All Capital Budget proposals shall be formulated and presented to the Board of Supervisors within the framework of a general capital budget in conjunction with the operating County General Fund Budget. Capital projects which are not encumbered or completed during the fiscal year will be re-budgeted or carried over to the next fiscal year, except as reported to and subsequently approved by the Board. All re-budgeted capital projects will be so noted in the Adopted Capital Budget. Similarly, multi-year projects with unencumbered or unexpended funds will be carried over to the subsequent year(s).

Periodic financial reports will be prepared to enable the County Administrative Office to monitor/manage the capital budget and compare actual program revenues and expenditures with budgeted amounts. The Board may take necessary action, including increasing appropriation or revenue, to maintain a balanced Capital Budget. Major capital assets will be inventoried and assessed on an annual basis to project long-term equipment replacement and maintenance needs.